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ABSTRACT

To increase economic literacy among students in grades 8-12, the guide offers activities, discussion questions, background information, and explanation of economic concepts. The document is presented in three sections. Section I examines the economic framework of the United States. Topics discussed include economic problems, making economic decisions, economic system development, production, income distribution, and economic exchange. Section II focuses on the four major types of non-government business organizations--proprietorship, partnership, investor-owned profit corporation, and user-owned cooperative corporation. For each type of organization, information is presented on major points, performance expectations, important concepts, and comparison with other types of organizations. Section III traces cooperative enterprises in agriculture and business--particularly in the fields of housing and health care. Information is presented on the principles of cooperatives, how cooperatives work, control, success factors, and buying power of cooperatives. Each of the three sections outlines the major points about each concept discussed and recommends additional teacher material, student material, student activities, discussion questions and answers, and a glossary of terms. Student activities include analyzing newspaper articles, charting sectors of the business economy, answering brief questions about the free enterprise system, analyzing local business enterprises, arranging speaking engagements by community business leaders, and forming a cooperative to purchase school supplies. (DB)

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A TEACHER'S GUIDE
TO THE
ECONOMY AND BUSINESS ORGANIZATIONS

July 1977

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Foreword

An understanding of our economy and its attendant, productive and distributive institutions is requisite to any concept of citizenship. In this guide, "Dutch" Durnford has synthesized the salient ideas of business organizations and presents them in concise, communicative statements.

With this guide, educators will find useful and interesting ways of helping students understand that part of our cultural heritage known as economics. Of particular importance is the emphasis upon business organizations...particularly "cooperatives."

Attention should also be drawn to the relationship between this guide and the Department of Public Instruction's booklet entitled Descriptors for Economic Education. Not only will these documents provide a working framework for economic education in Wisconsin schools but they clearly point to the priority of economic literacy as one of the first basics of education in a democracy.

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INTRODUCTION TO THE TEACHER'S GUIDE

We are all aware of the complexities in our modern world. Teachers are continually seeking sources useful in meeting the needs of students in coping with this kind of a society.

This Teacher's Guide is intended to be a reference for teachers in helping their students develop a better fundamental understanding of our economic system and the four major types of non-government business organizations which comprise our free enterprise system. They are: Proprietorship; partnership; investor-owned profit corporation; and user-owned cooperative corporation.

The Guide is organized into the three following parts:

Part I - Our Economic Framework

Part II - The Four Private Ways of Doing Business Within Our Economic System

Part III - The Cooperative in the United States

This Guide has been developed to be useful in a variety of ways. Part I, "Our Economic Framework", provides a brief and "to the point" description and explanation of the basic ideas that constitute the makeup of our economic framework. Within that framework, Part II, "The Four Ways of Doing Business Within Our Economic System" attempts to concisely present the major structural and functional relationships that characterize the similarities of and differences between the business organizations that make up our private enterprise system. Part III, "The Cooperative in the

United States" is intended to satisfy the requests from teachers and students for information about cooperatives that they have found difficult to obtain elsewhere.

Although some State Departments of Education and State Legislatures require courses of study about cooperative enterprises, most textbooks and other much used curricula material provide for limited understanding about the cooperative corporation or its relation to the other three types of business organization.

Today, cooperative enterprises constitute a smaller number than other forms of business organization. The successful contributions of the cooperative in agriculture are well known. However, there is a definite trend toward the use of the cooperative type of venture in a variety of business fields, such as health centers and housing.

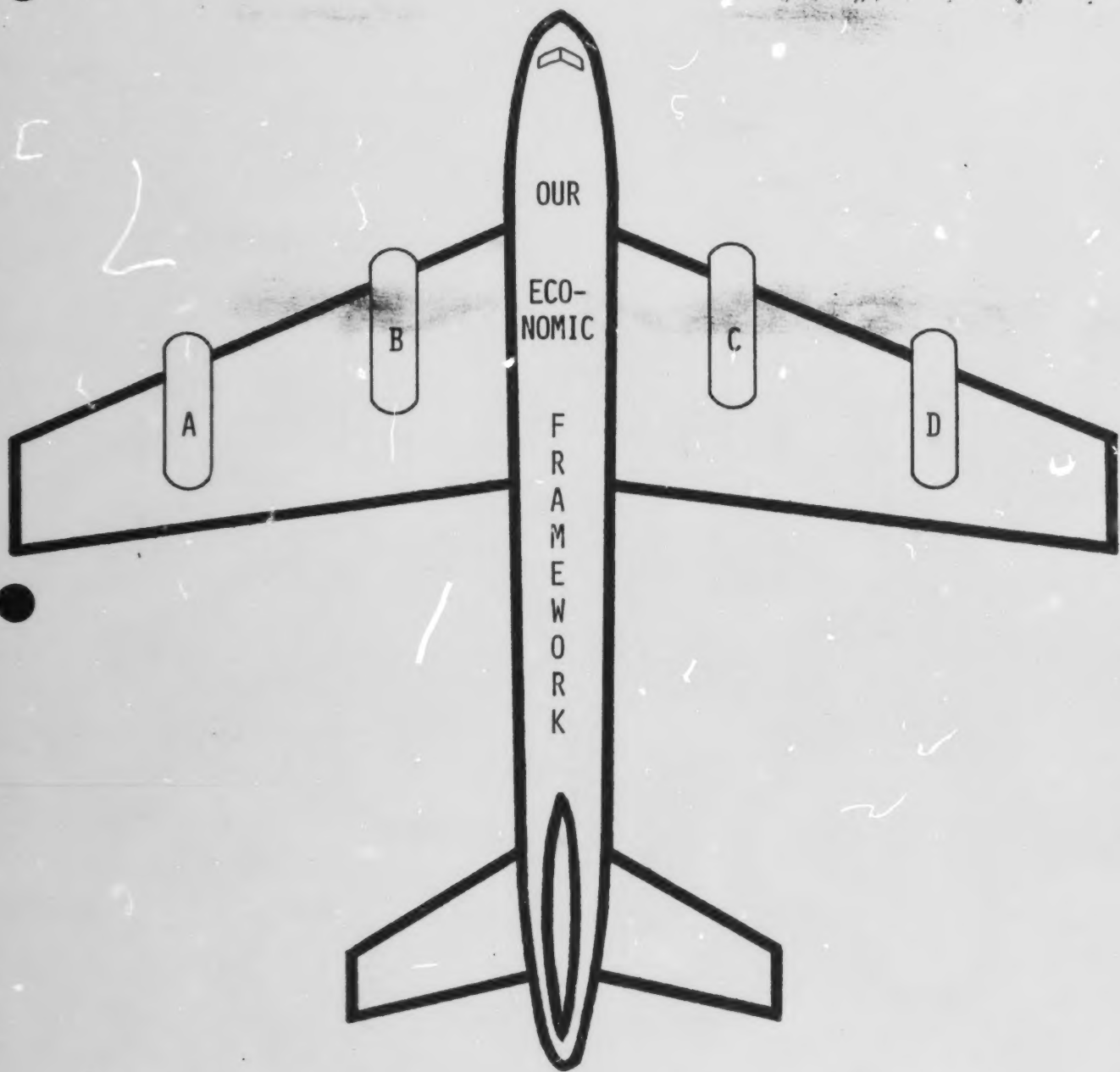
The key to the "Guide" is the "Economic Framework" chart which depicts the relationship between the fundamental parts of an economic system.

All of the other material in the "Guide" focuses on describing parts of that framework and how they all work together in providing a continuity to the economic process.

We hope that this Guide can be of service to teachers in facilitating a strong student foundation in developing a more adequate perspective about the economic world in which they will live.

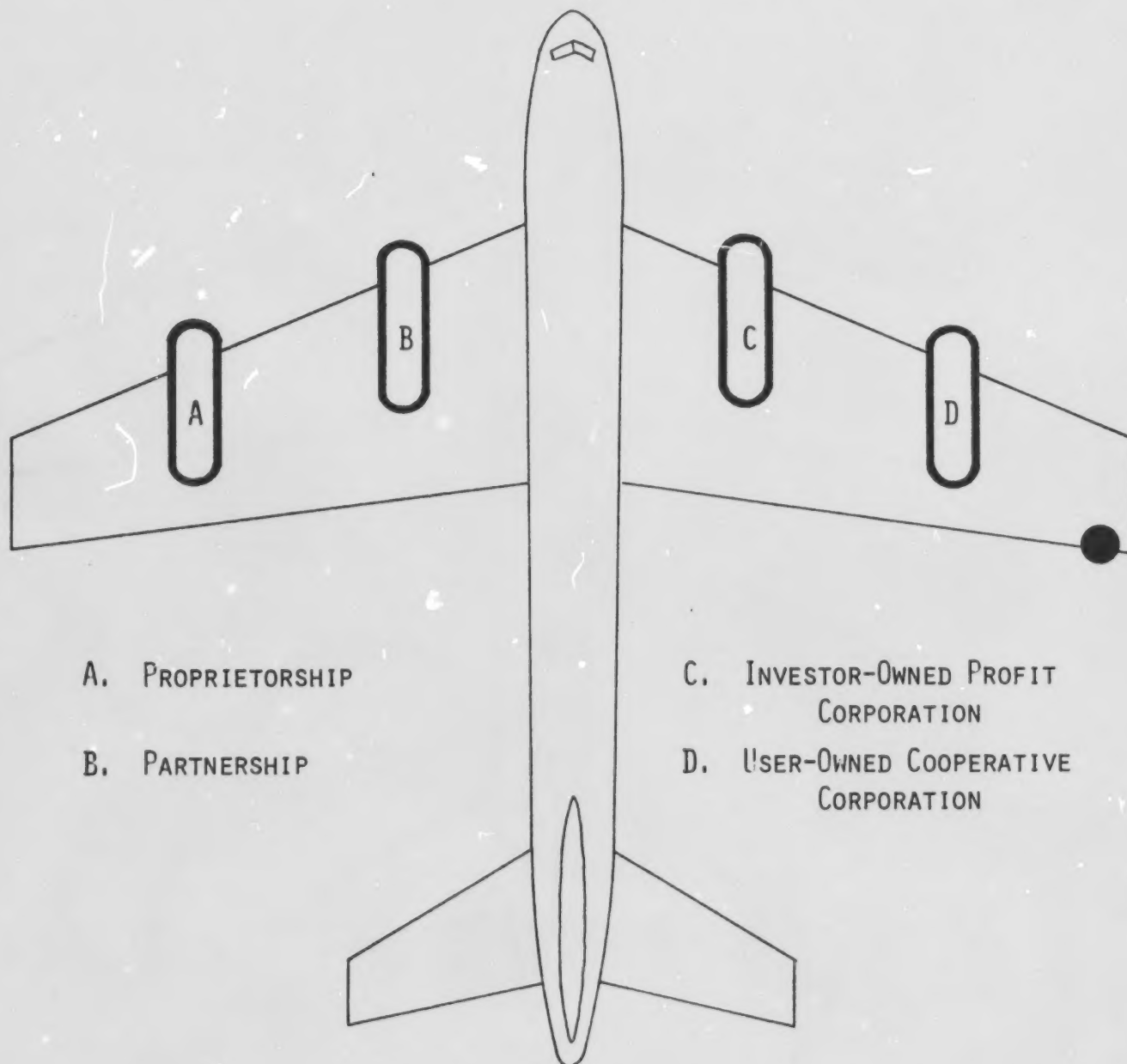
THE ECONOMY AND BUSINESS ORGANIZATIONS

PART I



THE FOUR PRIVATE WAYS OF ORGANIZING TO DO BUSINESS WITHIN OUR ECONOMIC SYSTEM

PART II



A. PROPRIETORSHIP

B. PARTNERSHIP

C. INVESTOR-OWNED PROFIT
CORPORATION

D. USER-OWNED COOPERATIVE
CORPORATION

THE COOPERATIVE IN THE UNITED STATES

PART III

D. USER-OWNED COOPERATIVE CORPORATION

A BRIEF APPRAISAL OF THIS "TEACHER'S GUIDE"

AS A TEACHER-LEARNING RESOURCE

THE FORMAT

- Looseleaf Notebook Versatility
- Provides for Continuity in the teaching and learning about the economy and business organizations
- The "Guide" is useful to all teachers, with or without special training in economics
- Uses a color scheme in which the color of student material pages correspond to the color of the teacher material to which they relate
- The appendix section provides teachers with many useful economic models, a list of fine institutional resources for obtaining information, and materials suited to basic economic education
- The bibliography section is annotated to assist teachers in selecting from carefully chosen printed and audio-visual materials.
- The "Guide" is designed so that all or any part can be used effectively

THE CONTENT

- To the point
- Gives proper consideration for all four forms of business organization as integral parts of our economic system
- Clarifies the meaning of our economic system as a highly democratic institution
- Clarifies the significance of having viable choices among business organizations to meet many different kinds of needs
- It is not "dated" in terms of its use
- Provides for a clear understanding of what an economy is and how the processes of economic objective are coordinated

THE IMPLICATIONS

- The "Guide" can be helpful in developing a much needed understanding about fundamental economic concepts and the economic process
- The "Guide" can also be a big step in the direction of a more accurate and positive understanding about all types of business organizations

SUGGESTED USES FOR THIS GUIDE

GENERAL:

1. The Guide was designed to serve as a resource for any teacher, with or without a background in economics.
2. It is intended for teaching about fundamental economic concepts, grades 8-12.
3. Parts I, II, and III are related but designed to be used as independent units.
4. Notebook organization allows any portion of the Guide to serve as a supplement to a variety of subject matter uses.
5. It provides for developing the "continuity of ideas" that make up the economic process.
6. The color scheme idea facilitates easy selection of material.
7. The Guide attempts to define fundamental economic concepts and really describe and illustrate how they fit together to make up our economic system.

SPECIFIC:

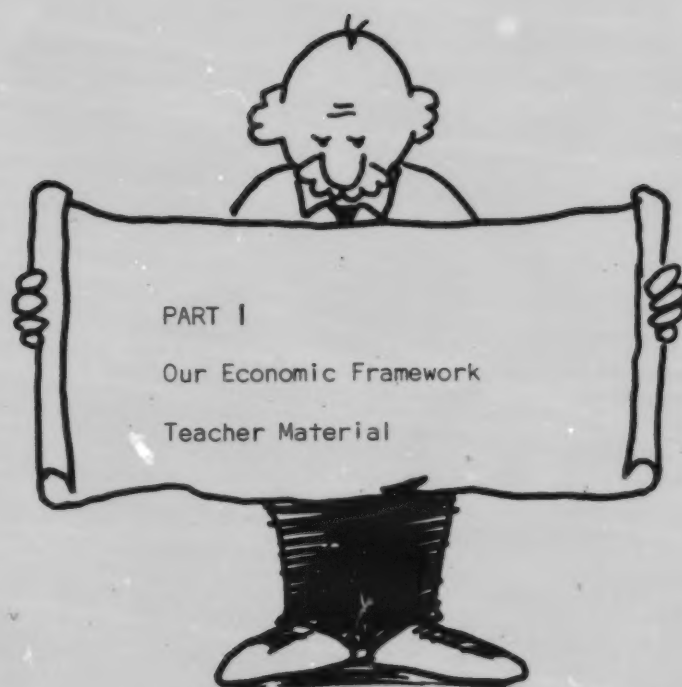
1. The Guide can be particularly useful to any course or unit related to developing fundamental understandings about our economic system or the private ways of doing business within our system.
2. Teacher materials are printed on the varied size colored sheets. The titles at the bottom of each sheet indicate the order of progression for using each of the three "Parts" of the Guide.
3. The "additional teacher material" models can help pull ideas together.
4. "Student Materials" correspond to the color of the teacher materials they relate to.
5. Student materials may be presented in the following ways:

- Using transparencies
- As student handouts
- Using an opaque projector
- Reproducing the material in teacher or student-produced slide or filmstrip programs, perhaps with background music and descriptive monologues or dialogues

6. Student activities are designed to provide both short and extended developmental experiences for individuals and groups.

7. Both "Student Activities" and "Student Questions" serve a variety of uses. They may also serve as the basis for the teacher to develop additional activities and questions.

8. The "Glossary" can be reproduced as a student handout for handy reference.



WHAT IS ECONOMICS?

MAJOR POINTS

- It is "the study of how to satisfy unlimited wants with limited resources."
- Most students think of economics as "the study of money" (you can test this).
- Money is only a tool in the economic process.
- Economics serve as a catalyst for the inter-relatedness of other subjects (science, history, psychology, sociology, geography, etc.)

Economics can be described as both a science and an art.

As "scientific economics" it embodies laws, theories, and principles in two categories:

- Macroeconomics; the big picture; the economy as a whole (e.g., GNP, national income, etc.).
 - Microeconomics; parts of the big picture; segments of the economy (e.g., pricing, determining wages, the production process).
- As "normative economics", it involves the ethics of using economic laws, theories and principles (e.g., points of view, making public policy).
 - Essential economic concepts are not difficult if presented clearly, to the point, and in an organized way.
 - It is the purpose of this guide to help with the task.

Performance Expectations: The student can:

- Describe the meaning of economics in terms of relationships between wants and resources.

Describe areas covered in the discipline of economics.

- Discuss how the study of economics inter-relates with most other subjects.

- Define fundamental ideas with which economics deal and explain their relationships.

- Important Concepts: (Check Glossary and Additional Teacher materials of Part I)

Economics
The Economic Problem
Wants
Scarcity
Economic Resources
Utility

Production
Consumption
Exchange
Free Goods
Economic Goods
Value
Price

- Clarification

Economic Resources refers to the factors or elements used in the production of goods and services.

MAJOR POINTS

- Every society--primitive, developing or industrial--has to face the economic problem of

"How to satisfy unlimited wants with limited resources."

WANTS (UNLIMITED) --- RESOURCES (LIMITED)

- Here the key idea is scarcity. In our "affluent society" (to quote John Kenneth Galbraith) with only 6 percent of the world's population, we consume more than one-third of the world's resources. Yet, as a society and as individuals we are always confronted with making "choices" from among wants because of limited resources.
- The key connecting concept is scarcity. (Check the model on scarcity in the additional teacher material section of part I.)
- These "choices" may well get to be more complex. As other countries experience "rising expectations" and as fossil fuels, minerals and other unrennewable resources diminish, we may need to make some needed changes in our U.S. life style. Our students need an economic perspective to help them make wise choices from a large "menu" of wants.
- A common classification of wants is:
 1. Primary (necessities) needs that have to be satisfied to sustain life.
 2. Secondary (conforts and luxuries) wants satisfied to add comfort, convenience and a greater degree of enjoyment.

Are Americans going far beyond physiological necessity? John Kenneth Galbraith, in his The Affluent Society said consumers are influenced by social pressures, fashion and advertising. Of these, the last may be the most significant. Media sellers effectively use one or more "propaganda devices." Propaganda per se is neither good nor bad, but is intended to appeal to emotions rather than reason. It is important to know what we are being sold.

Wants are transformed into economic demand by combining "the ability to buy" with the "willingness to buy."

- Economic demand is met by supplying two kinds of goods; capital goods which have utility as a means for producing other goods; and, consumer goods which have their utility in the direct satisfaction of human wants.

THE ECONOMIC PROBLEM

Performance Expectations: The student can

- ▶ Demonstrate understanding of the meaning of the "economic problem" by application.
- ▶ Explain the relationship between scarcity and wants.
- ▶ Describe how values are important in creating wants in different cultures.
- ▶ Describe origins of wants and explain how each influences choices.

Important Concepts: (Check Glossary)

Primary Wants
Secondary Wants
Land
Labor
Capital

Labor Force
Scarcity
Supply
Demand

Clarification:

Land in economics refers to all natural resources (e.g. timber, water, minerals, soil) which are supplied by nature without the aid of man.

MAKING ECONOMIC DECISIONS

MAJOR POINTS

- In dealing with the "economic problem", people in every society must relate wants to those resources available to satisfy their wants.

- What are economic resources?

Natural: All things in nature that man can use to produce goods and services (Note: conservation, exploration, substitution, reclamation and research are all vital to this resource).

Human: Labor used through the "labor force" to produce goods and services. (Note: an economic labor force equals all people 14 years of age or older either working or looking for work. Unemployment figures are based on this).

Capital: Man-made means of production (Note: contrary to popular belief, capital is not money. Economists use the term "Capital funds" to refer to money used for capital formation):

- What economic decisions have to be made?

1. What to produce? Choices about the quality and quantity of consumer goods and capital goods.
2. How to produce? Judgments about methods and proper assignment of varying amounts and kinds of limited resources to various production.
3. For whom to produce? This involves pricing, exchange policy and other factors related to wants of consumers, businesses and government.

All of these questions relate directly to goals and philosophy of every society. Answers differ for each society. They reflect its goals and philosophy and its sense of values.

- What are alternative methods of answering the economic questions?

Tradition. Answering the economic questions on the basis of "what has always been done."

Planned or Command. Answering the economic questions through central government decision-making.

Market. Answering the economic questions through the interplay of supply and demand.

5

MAKING ECONOMIC DECISIONS

Performance Expectations: The student can:

- ▶ Demonstrate why each society must make decisions on these questions.
- ▶ Explain and illustrate economic decisions each society has to make.
- ▶ Analyze appropriate data and make reasonable judgments about some logical and value factors associated with economic decisions.
- ▶ Demonstrate relationships between scarcity and the manner in which economic decisions are made.
- ▶ Explain advantages and disadvantages of each alternative method of answering economic questions.

Important Concepts: (Check glossary)

- ▶ Economic questions: What to produce? How to produce? For whom to produce?
- ▶ Alternative methods for answering the questions: tradition; planned or command; market.
- ▶ Cultural values; personal values.
- ▶ Cost - Opportunity principle.

Clarification:

- ▶ The "cost - opportunity" principle refers to idea that choice requires the cost (not necessarily in money terms) of unchosen alternatives

ECONOMIC SYSTEMS

MAJOR POINTS

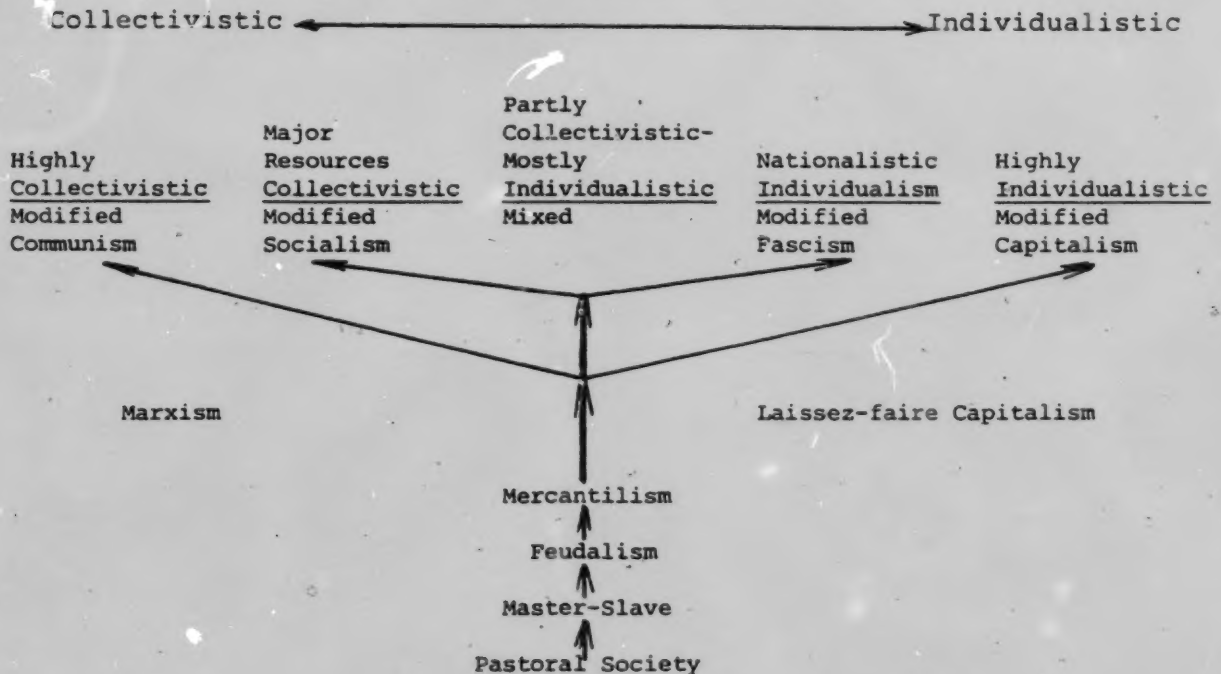
Throughout history, societies have sought new ways to relate wants to available resources. Each country differs from others in some economic aspects. Perhaps the best differentiation between the four economic systems theoretically, is in terms of ownership and control of resources.

On the one hand is complete collectivism of ownership and control. On the other is complete individualism of ownership and control. (The four theoretical systems are described in the student material)

No country operates at one or the other theoretical economic extreme

One way of describing the development and present status of our contemporary world's economic posture is the following:

THE DEVELOPMENT OF ECONOMIC POSTURE



ECONOMIC SYSTEMS

► Performance Expectations: The student can:

- Explain the reasons for needing an economic system in every organized society.
- Describe the main characteristics of communism, socialism, fascism, and capitalism.
- Explain why there are no "pure" economic systems in our contemporary world.
- Identify and describe characteristic similarities and differences among the four major economic systems as they are used in our contemporary world.

► Important Concepts: (Check Glossary and Appendix A)

Economic System
Contemporary World
Communism
Socialism

Fascism
Capitalism
Ownership of Resources
Control of Resources

► Clarifications:

For the purpose of clarifying terms used on the previous page in "the Development of Economic Posture."

Pastoral Society - Primitive Society.

Master-Slave - The Strong controlling the weak.

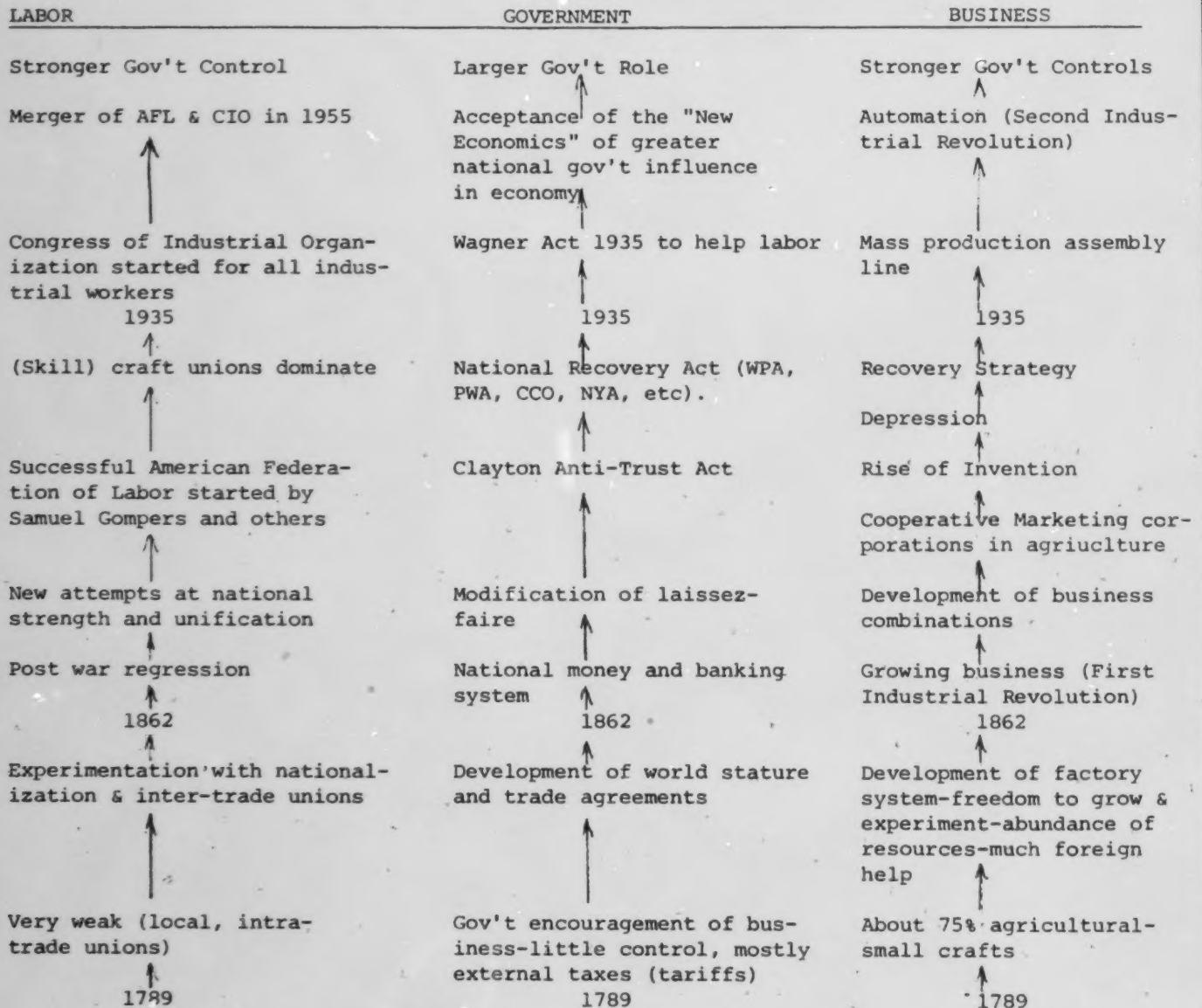
Feudalism - A system which was characterized by the existence of manors ruled by lords and worked by vassals who received subsistence and protection for their labor and loyalty.

OUR ECONOMIC SYSTEM DEVELOPMENT

MAJOR POINTS

- * Our economic system, from the very beginning, has stressed the major concepts of freedom, individualism, and fair competition as essential economic postulates for our way of life.

HOW WE DEVELOPED THE POWER FORCES IN OUR ECONOMIC SYSTEM



Performance Expectations: The student can:

- . Understand and describe the process of development of our economic power forces.
- . Identify and describe ways in which our system has been modified from laissez-faire "pure" capitalism.
- . Explain why "modified" capitalism seems necessary to provide for our goal of fair competition.
- . Compare our economic system with others in relation to freedoms for individuals and groups of individuals.

Important Concepts:

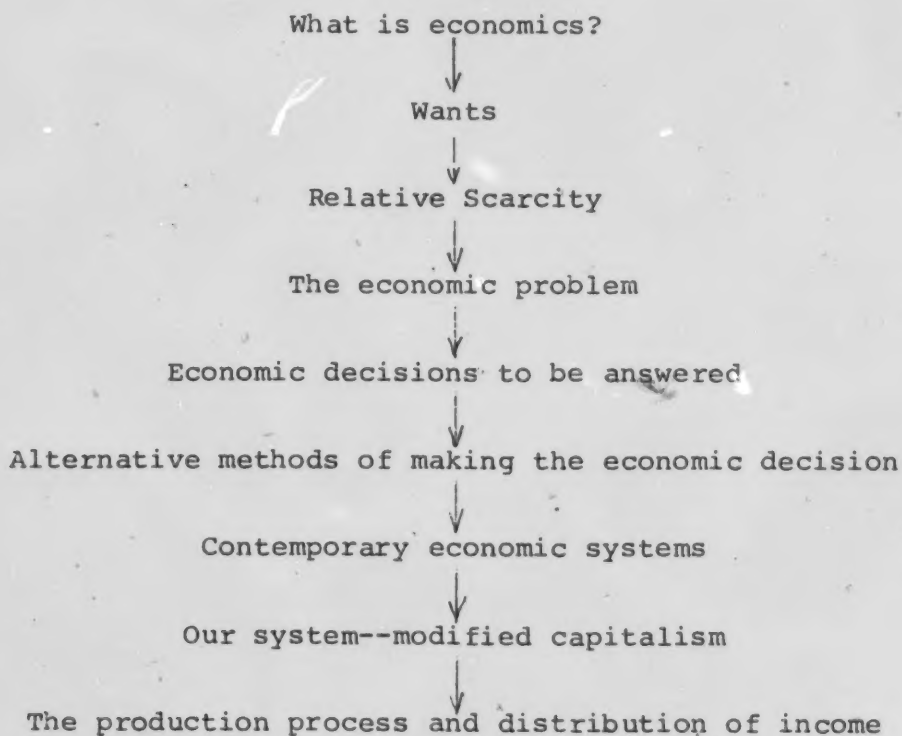
"Modified Capitalism"
Laissez-faire Capitalism
Economic Freedoms
Big Government
Big Business
Big Labor

THE PRODUCTION PROCESS AND DISTRIBUTION OF INCOME

MAJOR POINTS

- Under our system, government is not technically one of the "four factors of production." But it influences our production process importantly through regulations, controls, and aids. So, it needs to be part of a schematic illustration of production of economic goods and services.
- Each production factor receives its share of the production process according to the relative value of its contribution.
- Supply and demand play a major role in determining resource use.

WHERE ARE WE IN THE DEVELOPMENT OF OUR ECONOMIC FRAMEWORK?



Performance Expectations: The student can:

- Illustrate and describe the function of each of the four factors of production.
- Explain why "capital" is both an input and an output of production.
- Describe the government's influence in the production process and why it is important.
- Understand the relationship between GNP and the distribution of income and why they are equal.

➤ Important Concepts: (Check Glossary)

Four Factors of Production
Input Factors of Production
Government's Role

Distribution of Income
Rent (in economics)
Commercial Rent
Gross National Product

➤ Clarifications:

Four Factors of Production -- Elements used in the production process -- land, labor, capital, and management.

Input Factors of Production -- Land, labor, and capital.

Government's Role -- Not a factor of production but an influence through regulations, controls, or aids.

Distribution of Income -- What each factor of production receives for its contribution to the production process.

Economic Rent -- What is received for land (natural resources) -- (e.g. coal, water, timber)

Commercial Rent -- Payment for use of capital goods on land as well as for the use of the land itself (e.g. a store, house).

ECONOMIC EXCHANGE

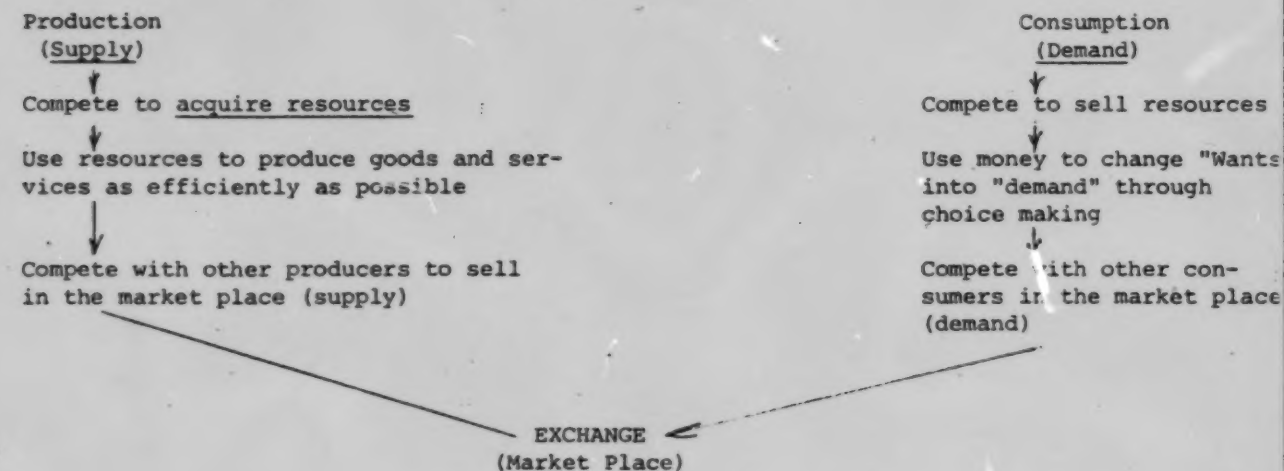
MAJOR POINTS

- In economics, the concept "exchange" is sometimes confused with "distribution." when economists speak of distribution, they are referring to distribution of income. Exchange is the term used for the market process.
- Production - Exchange - Consumption
These really are the three basic concepts associated with the "economic process."
- It must be emphasized that both producers (supply) and consumers (demand) are in competition in the market place. Producers compete to buy resources and sell goods and services; and consumers compete to sell resources and buy goods and services.

Our "Two-Flow Economy"

1. Resources turned into goods and services flowing in one direction.
2. Dollars for resources to buy ^{while} goods and services are flowing in the opposite direction.

OUR ECONOMIC PROCESS



Total market value of all goods and services produced during the year.

GROSS NATIONAL PRODUCT

Private Consumer goods purchased

Private Capital goods purchased

Gov't purchase

$$= C + I + G$$

Performance Expectations: The student can:

- . Classify markets
- . Describe the function of a market
- . Understand the different types of competition
- . Illustrate and describe supply competition among producers
- . Illustrate and describe demand competition among consumers
- . Explain why some degree of limited competition is most common among producers.
- . Illustrate and explain why some monopolies are desirable.

Important Concepts:

Competition
Perfect Competition
Limited Competition

Monopoly
Illegal Monopoly
Legal Monopoly

(Unlimited)
WANTS
depend
upon

(Limited)
RESOURCES

Providing

(Relative Scarcity)
THE ECONOMIC PROBLEM

Requiring

(What? How? For Whom?)
ECONOMIC DECISIONS TO BE MADE

and

(Tradition, Planned, Market)
ALTERNATIVE METHODS OF DECISION MAKING

Resulting In

(Communism- Socialism- Fascism- Capitalism)
CONTEMPORARY ECONOMIC SYSTEMS

Including

(Modified Capitalism)
OUR SYSTEM

Through Which We Have

(Through a somewhat limited supply-demand market)
THE FREEDOM TO MAKE DECISIONS

Involving

PRODUCTION
EXCHANGE
CONSUMPTION

for

SATISFACTION OF INDIVIDUAL AND SOCIETAL WANTS

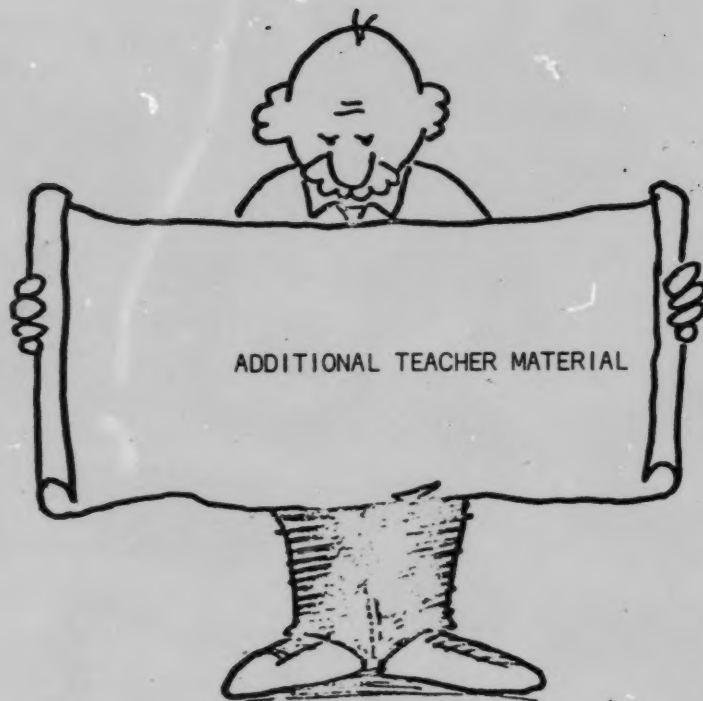
Performance Expectations: Given a "Framework of Economics" chart, the student can:

- . Define, explain, or describe all of the elements that are contained in an economic framework
- . Describe the relationship between any elements within the framework
- . Briefly, but accurately, describe the entire economic process as provided for within the economic framework

Clarifications:

Review previous materials and check the "glossary."

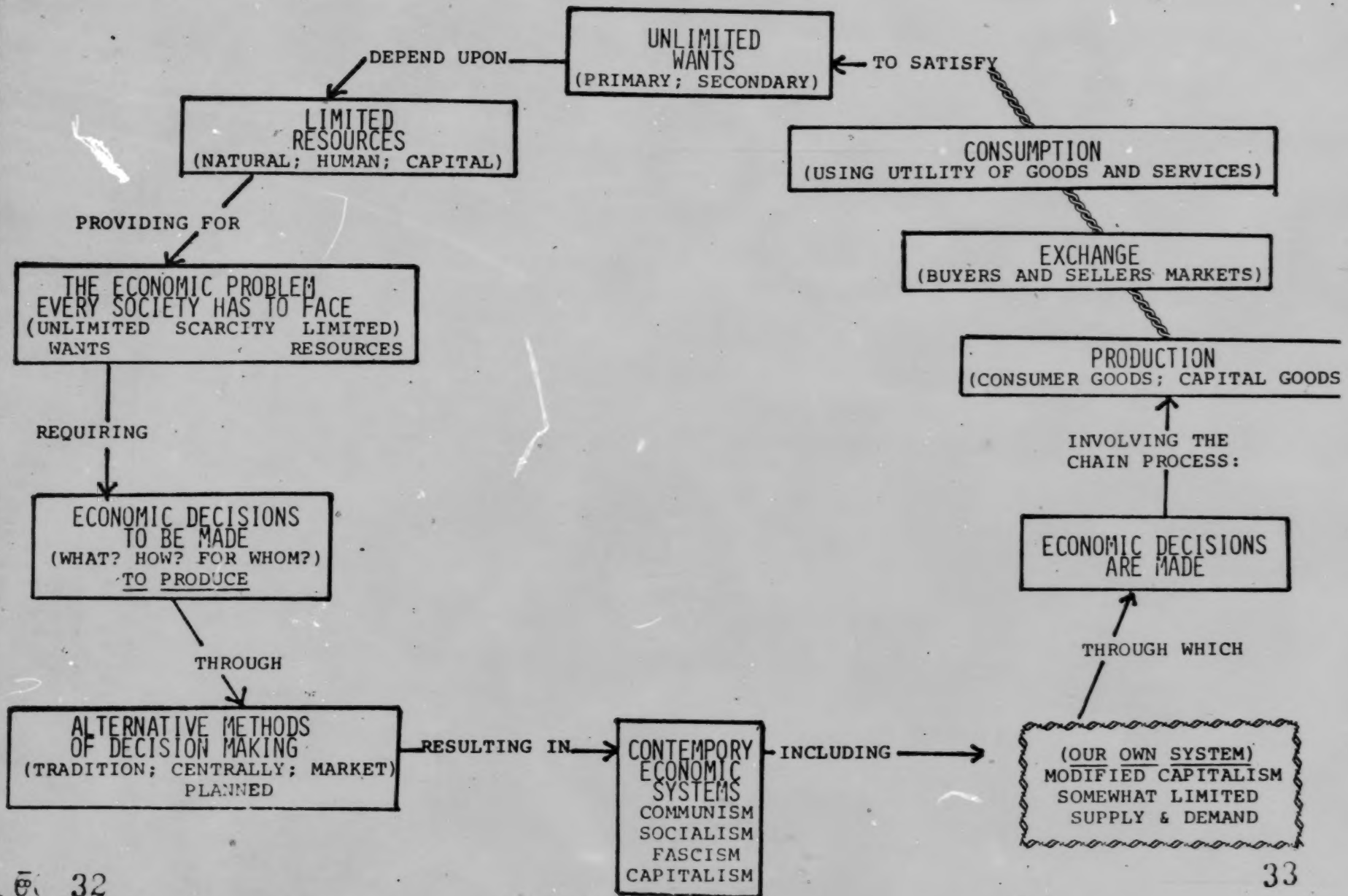
Also be sure to check "The Economic Framework" model among "Additional Teacher materials," Part I.

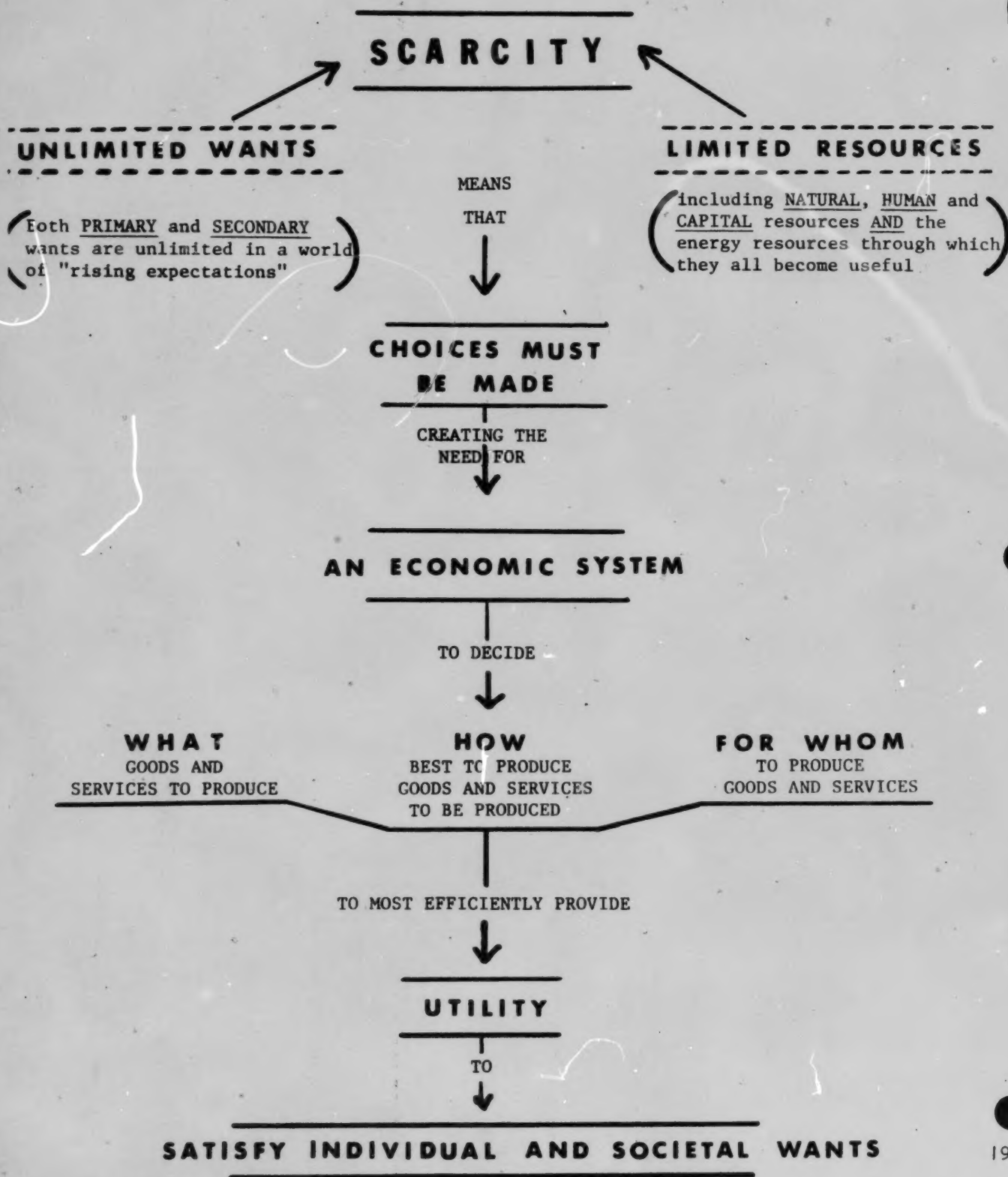


ADDITIONAL TEACHER MATERIAL

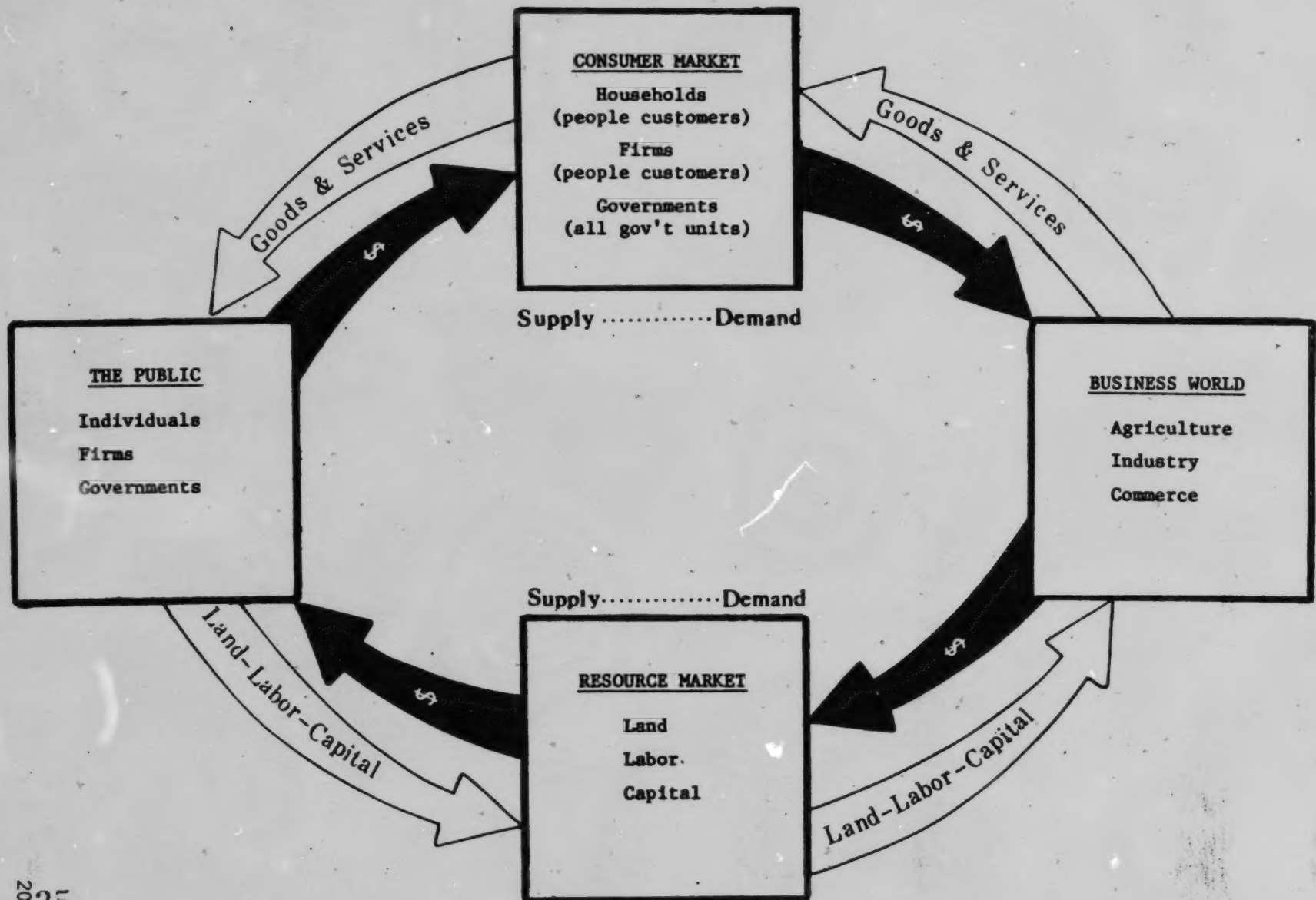
THE ECONOMIC FRAMEWORK

THE ELEMENTS AND PROCESSES THROUGH WHICH SOCIETIES ATTEMPT TO SATISFY WANTS





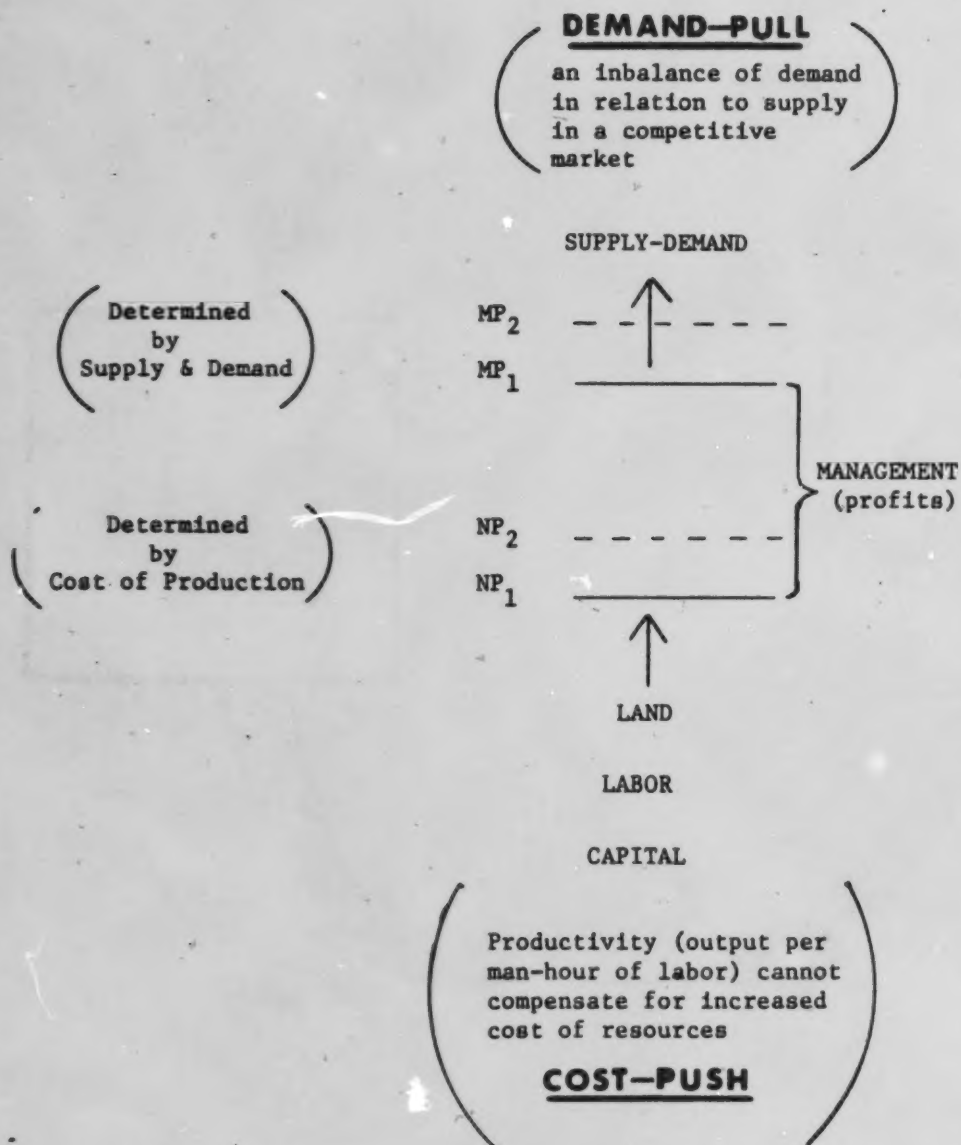
OUR TWO-FLOW ECONOMY



INFLATION

ILLUSTRATING: the two types of inflation; (1) COST-PUSH, and (2) DEMAND-PULL

How the Factors of Production are related to inflation



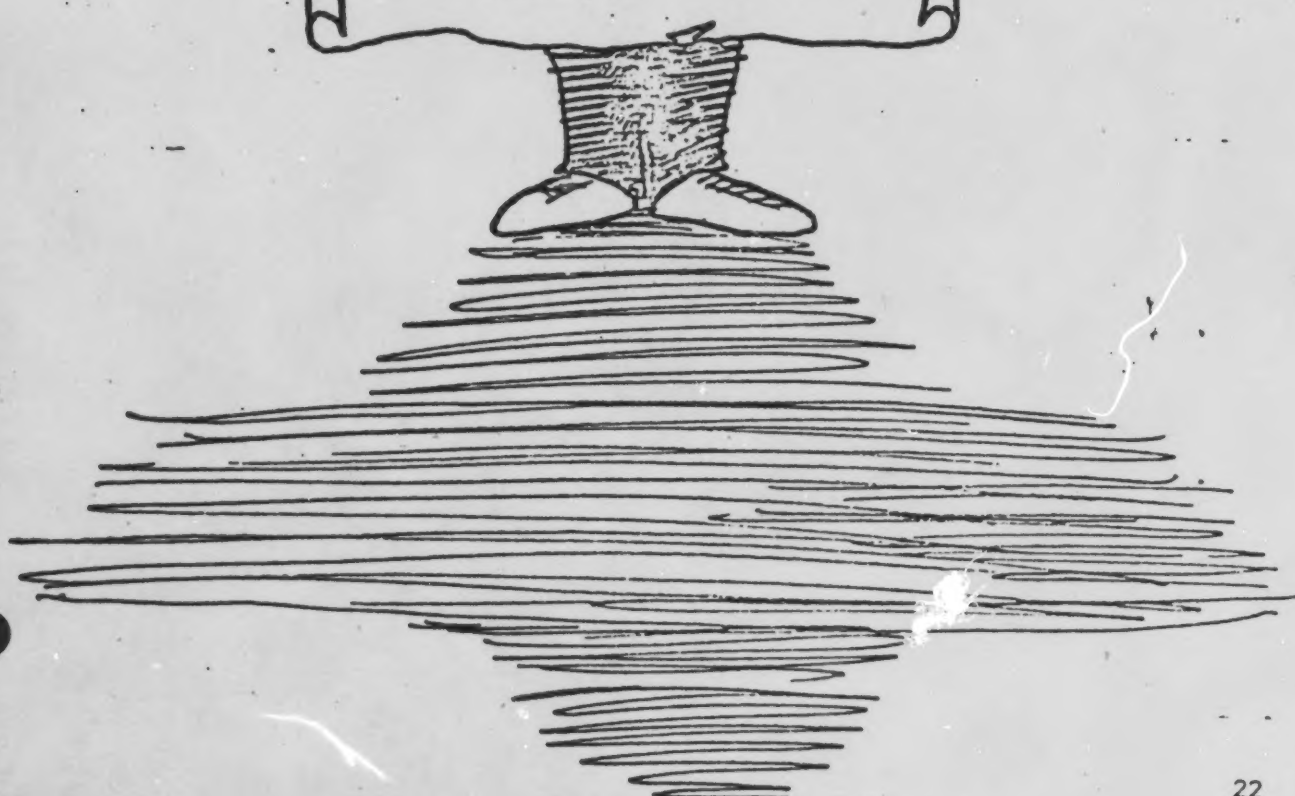
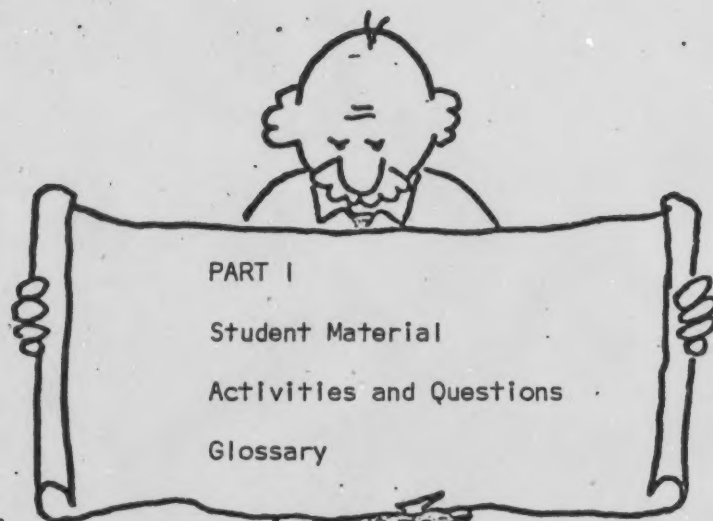
NOTE:

"Demand-Pull" and "Cost-Push" inflation usually go together - economists do not agree as to which initiates this togetherness.

Management claims that higher costs forces need for higher prices. Labor (in contract negotiations) claims that higher prices forces the need for higher wages.

And so it goes.

However, many other factors need to be taken into consideration.



Everyone should know about ECONOMICS

"The study of how to satisfy
UNLIMITED WANTS
with
LIMITED RESOURCES"

- What do we want?
- How do we satisfy our wants?
- What resources are available to meet our needs?
- How people make a living
- How goods and services are produced
- How goods and services are exchanged
- Kinds of goods and services
- Roles of business, consumers and governments
- Study of money, investment and wealth
- Something about most everything



Fundamental ideas of economics

WANTS - Satisfaction of needs and desires

UTILITY - Usefulness of goods and services

FREE GOODS - Utility provided by nature

ECONOMIC GOODS - Utility provided by human labor

PRODUCTION - Creation of utility in goods or services

CONSUMPTION - Using up the utility of goods or services

EXCHANGE - Transferring goods and services from producer to consumer

ECONOMIC RESOURCES - Used in the production of goods and services

VALUE - The worth of something in relation to other things

PRICE - Value expressed in money

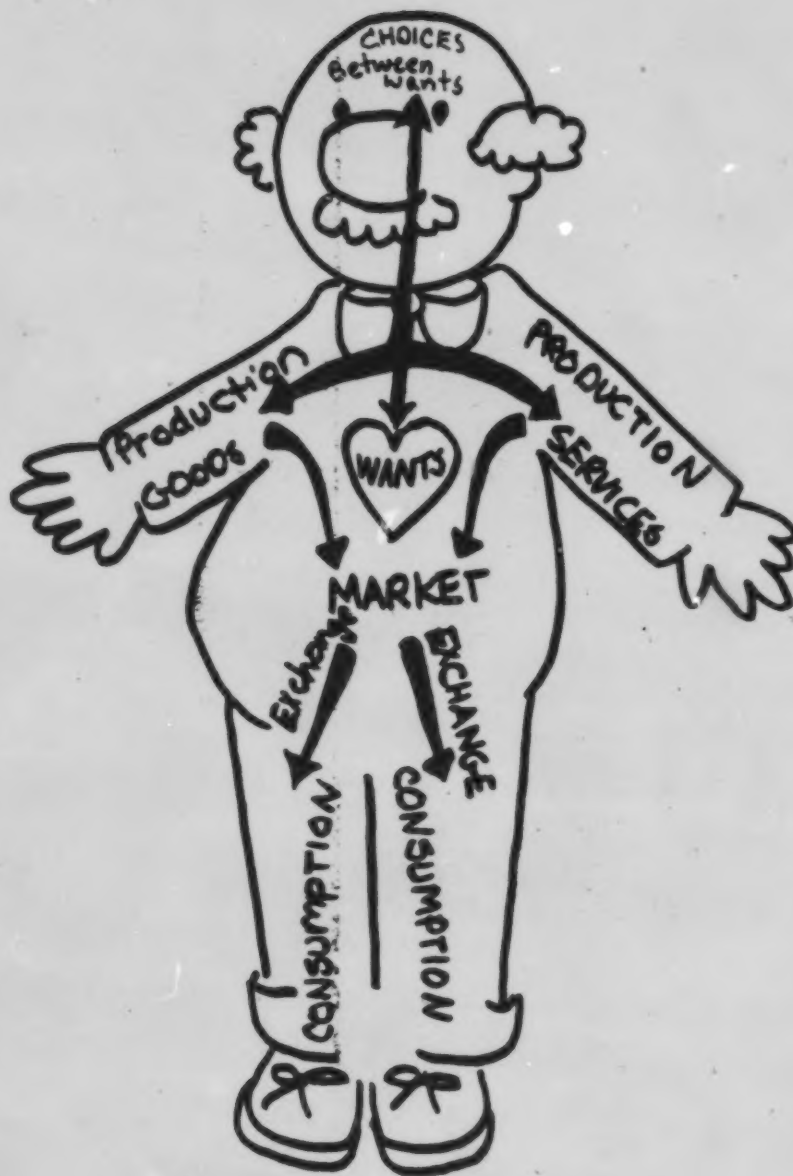
SCARCITY - Unlimited wants - Limited resources



- Developing an understanding



of the
Economic system



So — it all starts with wants — — —
— And what are the "Wants" ?

Economists generally classify wants in two categories:
Primary and Secondary

Primary wants (Necessities)

For example:

Food



Clothing

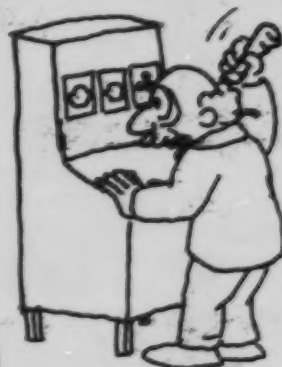
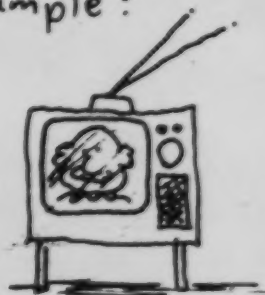
Shelter



Secondary wants (comforts and luxuries)

For example:

Color TV



Trip to
Las Vegas

Sports Car



Questions ???

How would you decide what is a necessity?

How important are value judgements?

Would we all agree on some? — on all? Why ???

And so ——— what are the sources of influence
that help create our

Unlimited economic wants?

Needs



Habit



Culture



Reason



Advertising



Fashion



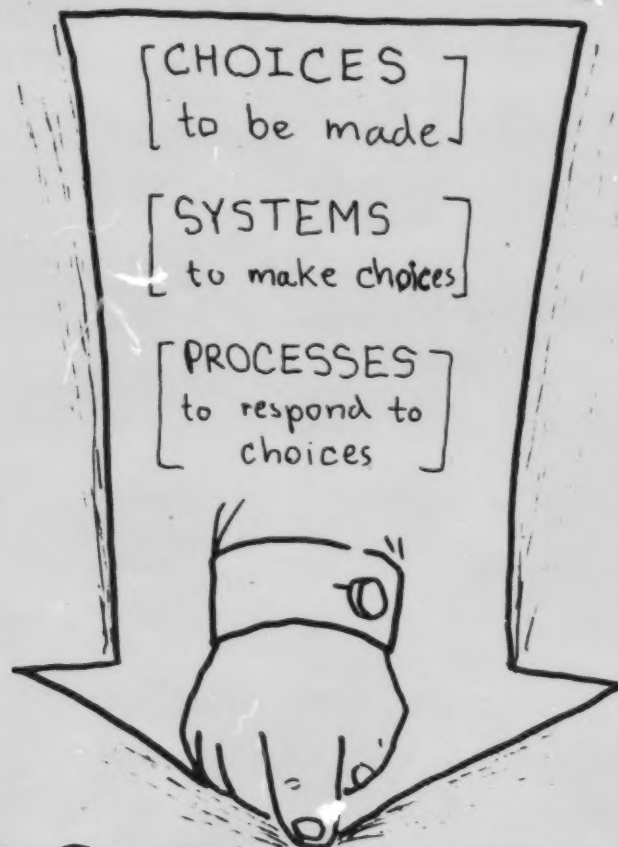
How do WANTS become CONSUMER DEMAND?



Ability to pay + Willingness to buy = Consumer Demand
(Economic Demand)

Therefore — we have to be organized within
our economy!

WANTS



SATISFACTION OF WANTS

And — we have to work together!

How we reach the economic objective

UNLIMITED WANTS — LIMITED RESOURCES



WHAT TO PRODUCE



HOW TO PRODUCE



PRODUCTION



OUTPUTS



HOW TO DISTRIBUTE



CONSUMPTION

Satisfaction of individual
and social wants

But ——— every society is faced with

Limited economic resources

To satisfy unlimited individual and social wants

NATURAL

LAND
WATER
AIR
TIMBER
MINERALS
FISH
WILDLIFE



HUMAN

LABOR
EFFORT
SKILLS



CAPITAL

TOOLS
MACHINES
Factories
ALL OTHER
"MEANS OF PRODUCTION"



We use these 'limited' resources
to satisfy 'unlimited' wants

Economic decisions

Society must make regarding the use of resources to meet wants



WHAT goods and services should be produced and in what quantities?
(capital goods — consumer goods)



HOW shall goods and services be produced?



FOR WHOM shall goods and services be produced?

... and every society has three alternative methods for arriving at the decisions about what, how, and for whom resources can be used to meet wants

Alternative Methods for Making the Economic Decisions

Tradition — making decisions on the basis of how they have always been made
eg. Underdeveloped and emerging countries



Planned-Command — decisions made by central authority or a ruling group
eg. Communism or Socialism



Market System — decisions made on the basis of supply and demand in the market place
eg. United States and other Capitalist countries



Note: Most countries use a combination of these methods.

The Four Theoretical Economic Systems of Our Contemporary World

SYSTEM*	OWNERSHIP OF RESOURCES	CONTROL OF RESOURCES	DECISION METHOD FOR USE OF RESOURCES
COMMUNISM	All Resources Owned By The State	All Resources Controlled By The State	PLANNED and COMMAND
SOCIALISM	Major Resources Owned By The State (e.g. Utilities, communications, oil, etc.)	Major Resources Controlled By The State	PLANNED and MARKET
FASCISM	All Resources Owned Privately	All Resources Controlled By The State (Note: This varies to a degree depending on country and circumstances.)	PLANNED and MARKET
CAPITALISM	All Resources Owned Privately	All Resources Controlled Privately	MARKET
*NO COUNTRY EMPLOYS A "PURE" SYSTEM. WE REFER TO A COUNTRY AS HAVING A PARTICULAR SYSTEM ON THE BASIS OF WHAT SEEMS TO BE DOMINANT.			

Note: Check "Appendix A" for a more comprehensive view of the different variations of the above systems.

• Our economic system

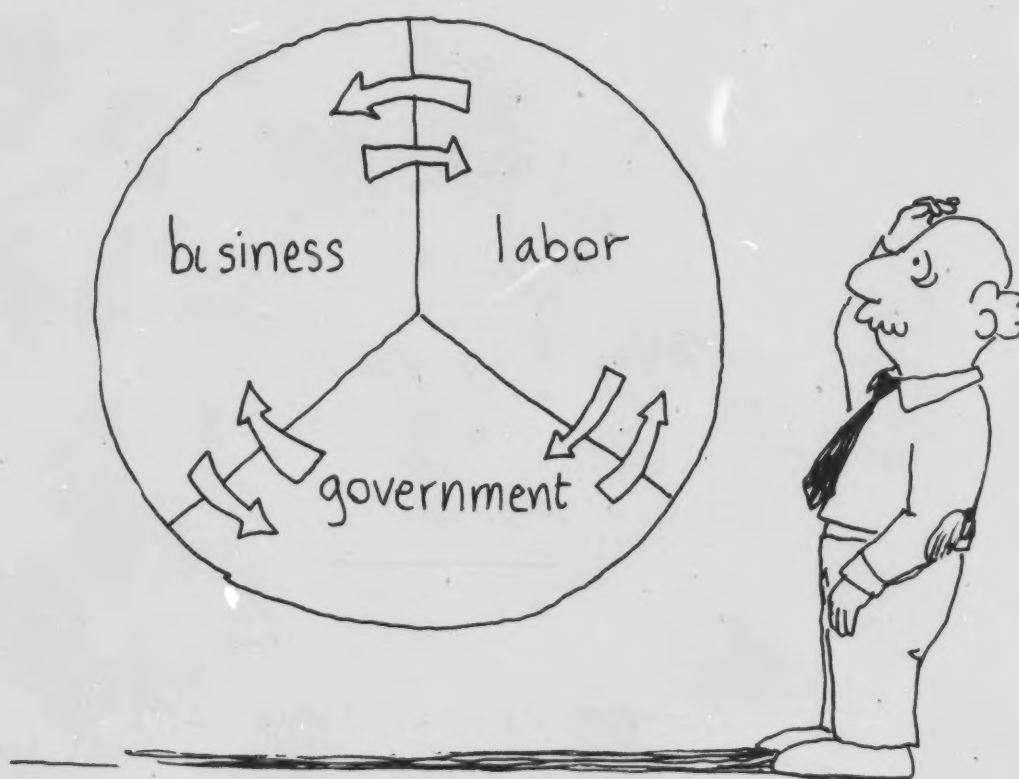
AMERICAN 'MODIFIED' CAPITALISM
MEANS FREEDOM TO:

- ⚙ Make profits
- ⚙ Bargain for needs
- ⚙ Own a business
- ⚙ Choose our work
- ⚙ Compete
- ⚙ Influence
- ⚙ Buy - sell

➡ With some Government ownership and
resource control



What are the
Economic powers in our
"private enterprise system"?



The main question is, "What are the proper roles for the three 'countervailing powers' in the best interests of consumers and security of the country?"

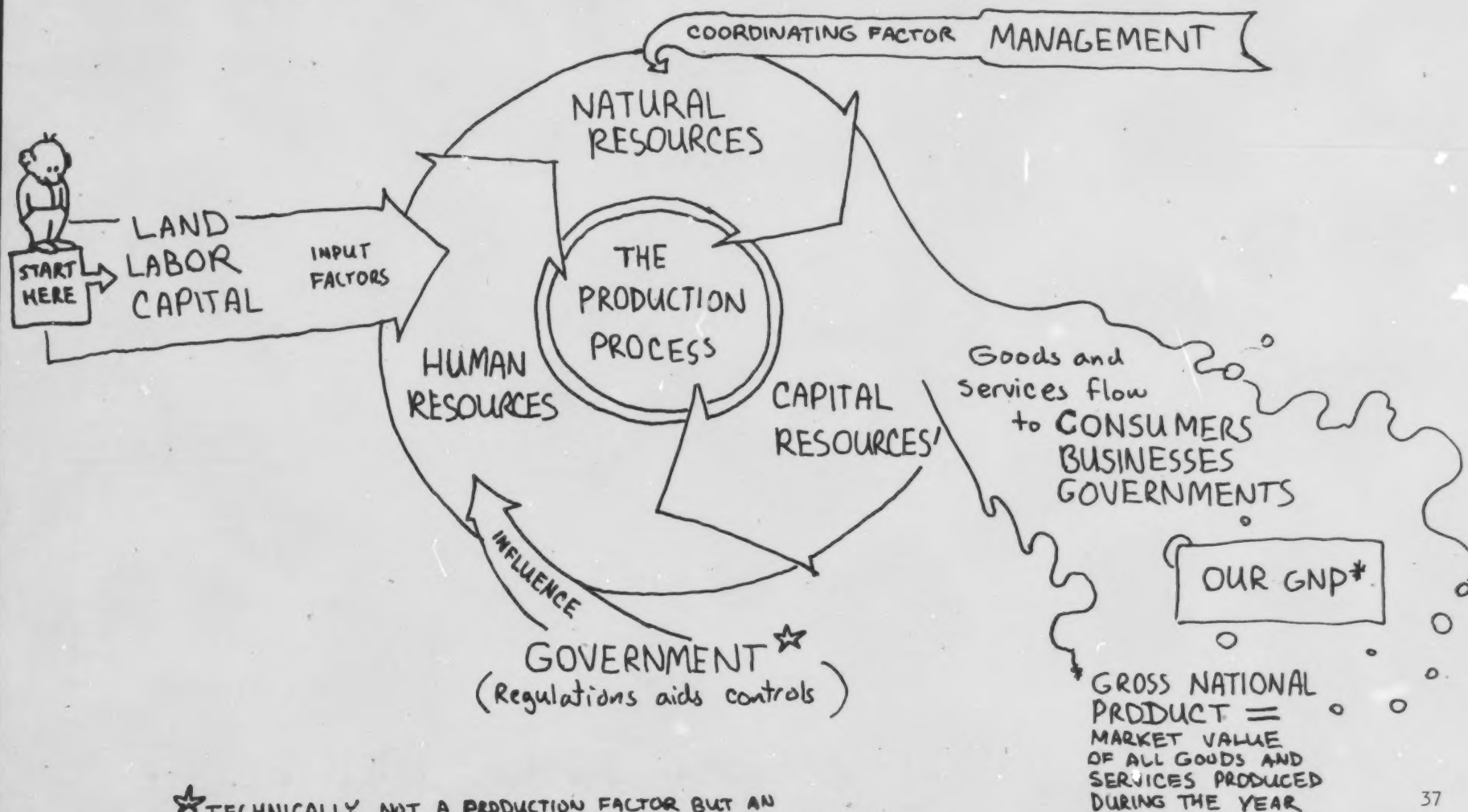
What other questions can and should be asked about changes and trends in labor, business and government?

THE

What is involved in

Production Process ???

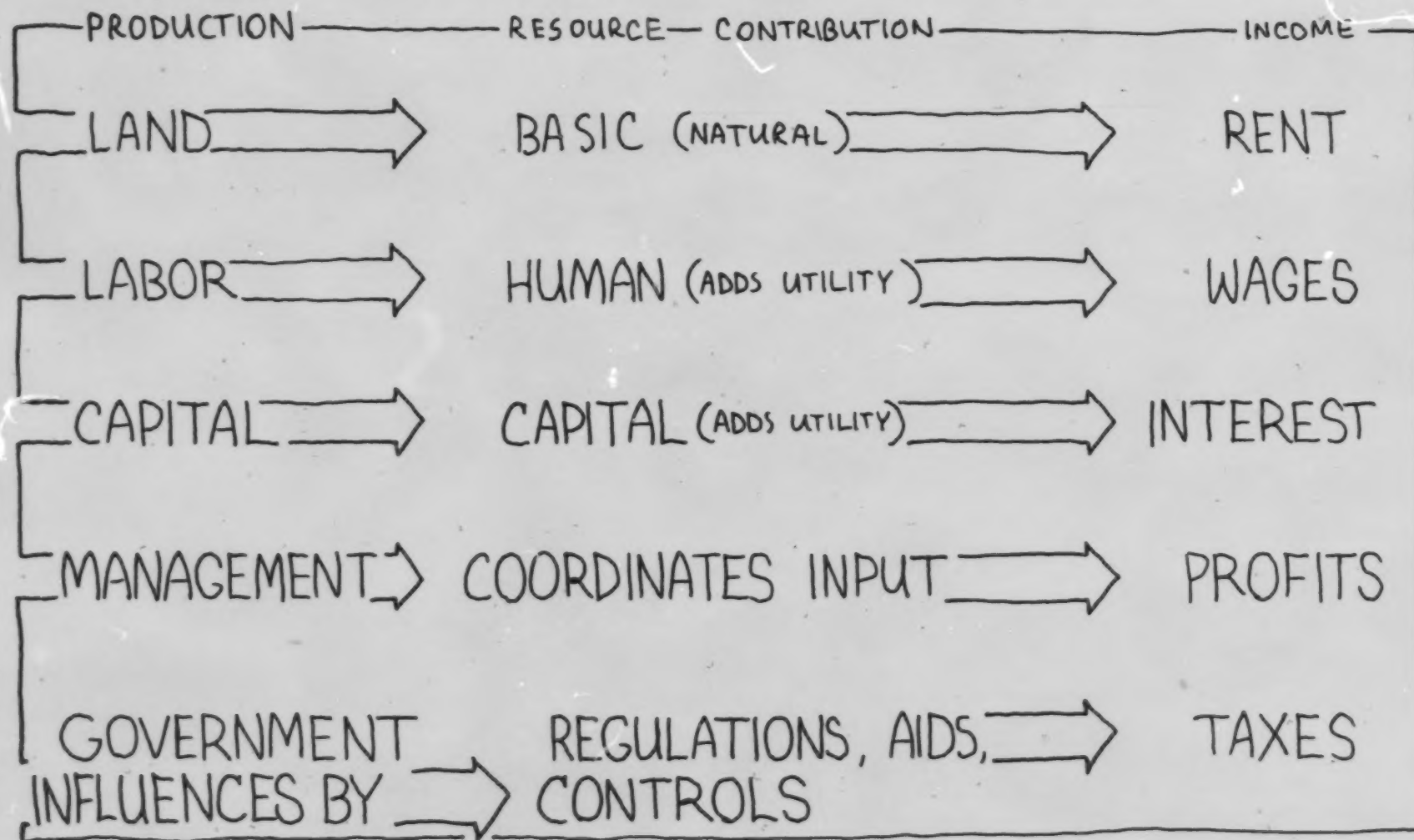
The factors of production used in providing goods and services to satisfy individual and social wants



★ TECHNICALLY NOT A PRODUCTION FACTOR BUT AN INFLUENCE FACTOR

Everyone who works or invests fits somewhere in

THE Distribution of income from Production



In the marketplace

● Economic Exchange Process

an important element is "COMPETITION"

How Competition Varies

And it takes place between both buyers and sellers

Limited Competition among sellers
(Supply side of market)

OLIGOPOLY

So few sellers that each one can have an effect on the market supply and price

(E.G. auto industry, steel industry, meat processors)

MONOPOLY

Single control over the supply of a product or service

(Refer to the following page for the many kinds and examples of monopolies)

* PERFECT COMPETITION

No one buyer or seller can influence price because there are so many competing

* Not really perfect but there is very little control

FOR EXAMPLE:

Farmers selling their corn or wheat

Grocery stores selling their food items

Consumers buying at a grocery store

And it varies in DEGREE

Limited Competition among buyers
(Demand side of market)

OLIGOPSONY

So few buyers that each one can have an effect on the market demand and price

(E.G. space equipment, meat packers)

MONOPSONY

Single control over the demand of a product or service

(E.G. Uranium in the U.S.)

Can you think of other examples?



Goods and services are distributed in the market place
Where buyers and sellers meet

☆ KINDS OF MARKETS ☆

- ⊗ WHAT IS SOLD - stock, commodity, markets
- ⊗ WHO BUYS OR SELLS - retail, wholesale markets
- ⊗ WHERE IT HAPPENS - local, national, world markets

BUYERS ARE : SELLERS ARE :

- ⊗ CONSUMERS
- ⊗ BUSINESSES
- ⊗ GOVERNMENTS

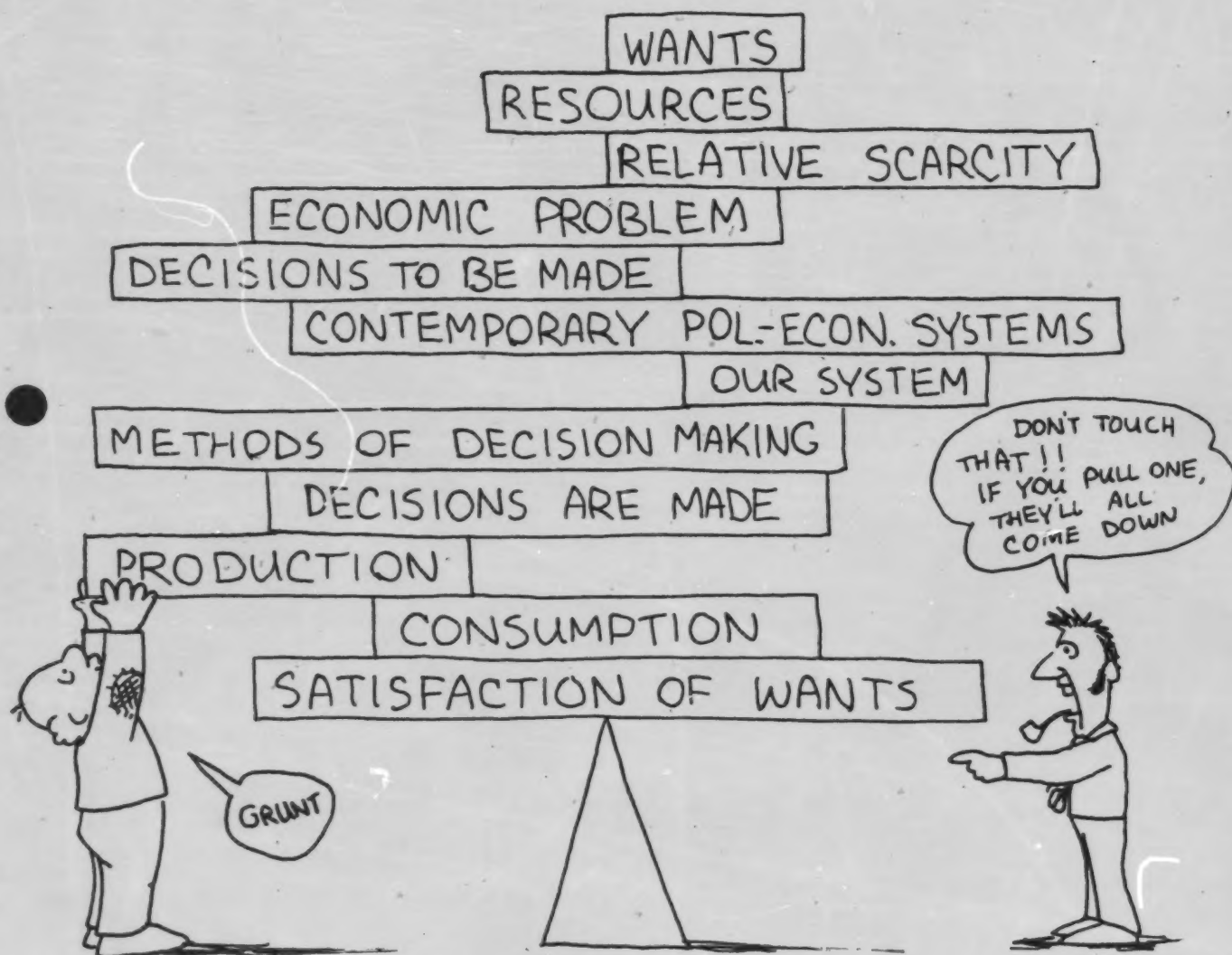
- ⊗ INDIVIDUALS
- ⊗ PARTNERS
- ⊗ INVESTOR-OWNED
PROFIT CORPORATIONS
- ⊗ USER-OWNED COOPERATIVE
CORPORATIONS
- ⊗ GOVERNMENT



So now — where do we stand?

How does it all stack up?

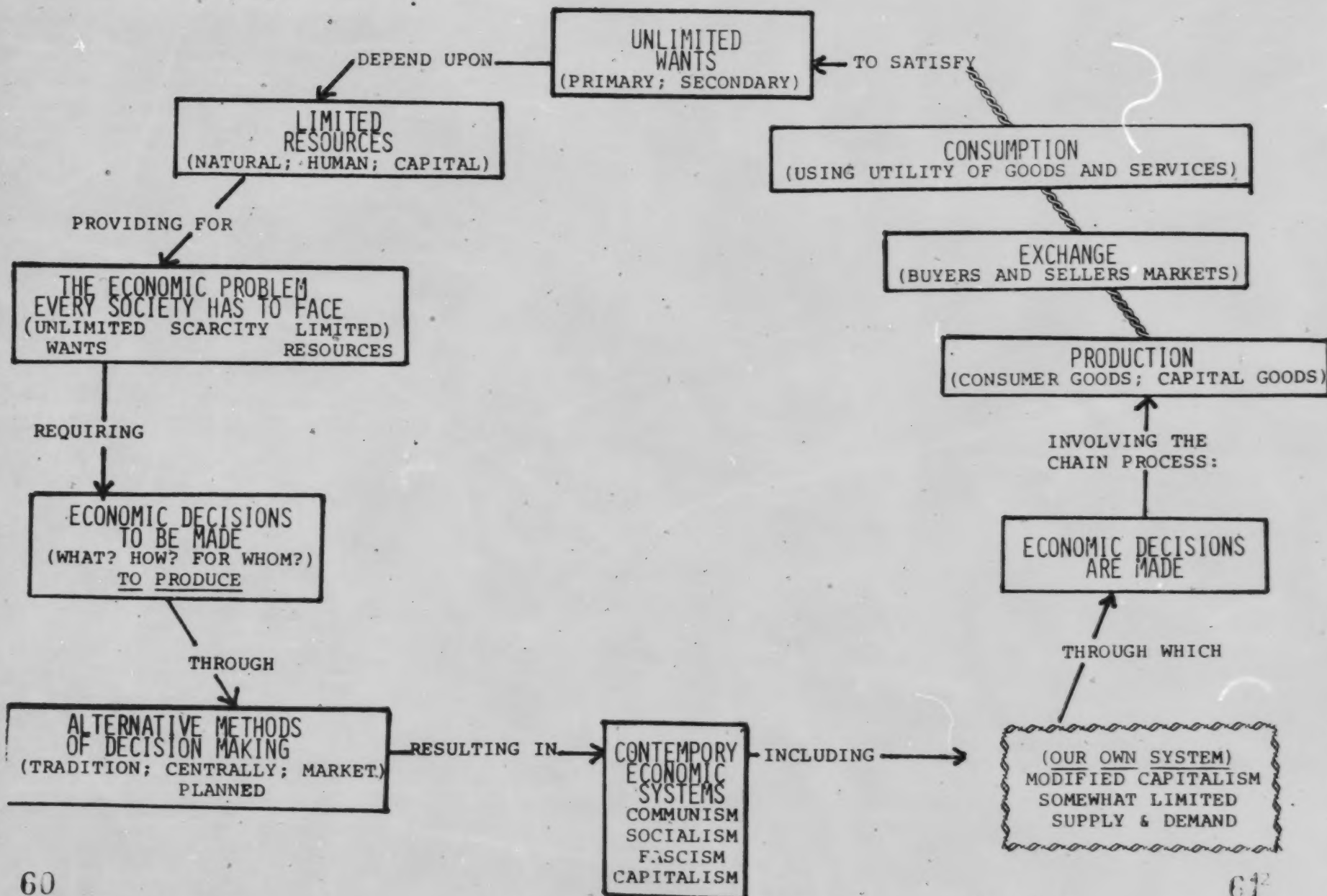
Our Economic Framework
within which societies attempt to satisfy
their wants



All of the above factors are related and dependent on each other. To maintain a balanced economy, that relationship varies and requires the continuous coordination of all factors.

THE ECONOMIC FRAMEWORK

THE ELEMENTS AND PROCESSES THROUGH WHICH SOCIETIES ATTEMPT TO SATISFY WANTS



PART I
SUGGESTED STUDENT ACTIVITIES

Activities

Have each student select one of the following situations and describe how his or her wants might change from their present ones:

Lost on a desert
Living on the moon
Moving from one state to another
Shipwrecked on an island
Living in Alaska
Visiting for a summer in Norway
Going to school for a year in
South Africa

Learning Goals

- Valuing
- Reasoning
- Analysis
- Awareness

Each segment of Part I leads to the next segment in developing the total "Economic System Framework." This way the student builds upon what he or she already learned.

- Comprehension
- Adapting

As the students progress from one segment to the next, have them describe the cumulative relationship.

After completing Part I, students should be able to follow the entire cumulative process of developing what constitutes an "Economic System Framework."

- Comprehension
- Adapting
- Synthesis

The "what, how, and for whom" economic questions may seem simple to the student at first. Ask them to describe how "scarcity" of natural resources, human resources, and capital resources influence the answers to these questions -- compare England, the United States and Russia.

- Comprehension
- Adapting
- Evaluation

Ask each student to select a local business enterprise. Then have each write a description of how all four factors of production contribute to the goods or services produced by the business. This will facilitate the internalization of understanding about the production process and the necessity for efficient operation.

- Understanding
- Adapting
- Comparative Analysis

Activities

Assign each student to select a newspaper or magazine article related to business.

What is the purpose for the article? (news information, feature, editorial, etc.)

What are the main points made in the article? Does the story have any implications for you, your community, or your generation? If so, what are they?

Learning Goals

- Reading Skills
- Valuing
- Understanding
- Analysis
- Synthesis
- Evaluation

Have students read and report in writing about accounts in newspapers or magazines in one, or a combination of the following areas they feel to be important:

- Reading Skills
- Valuing
- Observing
- Analysis

- scarcity of natural resources
- the unemployment rate
- the energy crisis
- decrease value of the dollar (inflation)
- national defense spending
- consumer rights

IN OUR SOCIETY--

THE DEMAND FOR
WHAT UNLIMITED WANTS?

Are
Met
With

- 1.
- 2.

Attempting
To Best
Satisfy

The Supply of

What Limited Resources?

- 1.
- 2.
- 3.

According To
The Answers
For

What Economic Questions?

- 1.
- 2.
- 3.

Provided By
One Or More
Of

What Alternative Methods?

- 1.
- 2.
- 3.

One Of
What Economic Systems?

Requiring

- 1.
- 2.
- 3.
- 4.

To What Buyers? (Consumers)

- 1.
- 2.
- 3.

And Exchanged
In The Market Place

What Kinds Of Private
Business Organization? (Producer)

- 1.
- 2.
- 3.
- 4.

Produced By

Of What Two Kinds?

- 1.
- 2.

To Enable Us
To Choose
Goods and Services of
Various Quantities and Qualities

PART I
SUGGESTED QUESTIONS

Economics and the Economic Questions

- 1 What do we mean by "economics"?
- 2 What do economists mean by the term "utility"?
- 3 Why is "scarcity" one of the most significant concepts in economics?
- 4 Explain the difference between "free goods" and economic goods".
- 5 What are the "economic questions" that every society has to answer and why must they do so?
- 6 In what way can scarcity of iron affect the answer to the economic question, "how" we produce?
- 7 Explain how economics is inter-related with other subject areas (e.g., science, geography, history, sociology, psychology).

Wants

- 1 Briefly describe the two categories of wants.
- 2 How does "scarcity" relate to wants?
- 3 How do "wants" become "demands" for goods and services?
- 4 What is the relationship between wants, utility and consumption?
- 5 Identify four sources of our wants.
- 6 Advertising is becoming increasingly significant as a source of wants. Do advertisers appeal to our reason or emotions? Can this be important for the future? If so, how?

Resources

- 1 What are the three economic resources?
- 2 In which economic system does there exist the greatest freedom regarding the use of resources?

- 3 Which resource is both an "input" and "output" of production?
- 4 Why would population trends be important in judging the adequacy of resources in a society?
- 5 In economics, "land" is really the same as natural resources. What is included in "land"?

Methods for Answering the Economic Questions

- 1 "The traditional method of answering the economic questions stifles economic progress." Do you agree or disagree with this statement? Defend your position.
- 2 What kinds of societies use the planned or command method of answering the economic questions? Why do they prefer this method?
- 3 What are the advantages and disadvantages of the market method of answering the economic questions?

Economic Systems

- 1 What are four of the main characteristics of the American economy?
- 2 Why are there different economic systems in the world?
- 3 Explain the difference in theory between communism, socialism, fascism, and capitalism in terms of the ownership and control of resources.

Production

- 1 What are the factors of production?
- 2 What does each factor contribute to the production process?
- 3 Distinguish between capital goods and consumer goods.
- 4 Describe what the factors of production would consist of in a furniture factory?
- 5 Why does the U.S.S.R. produce more capital goods (defense, factories, machines, tools, space) than consumer goods?
- 6 How has this affected the standard of living for the people in the U.S.S.R.?

7 What is productivity?

8 Indicate A if the goods described below are capital goods, and B if they are consumer goods.

___ Factory Machine

___ Television Set

___ Shoes

___ Hammer

___ Printers' Ink

___ Wrist Watch

___ Highway

9 What is a way in which the productivity of labor can be increased?

10 Distinguish between production and productivity.

11 Distinguish between production and consumption as they relate to utility.

12 Define "labor force."

13 In what ways are our labor force changing in the United States? Why?

Distribution of Income

1 What do we call the income received by those providing (natural resources) to the production process?

2 Interest is to capital as wages are to _____.

3 Would you think labor would receive a higher or lower income in a market economy as opposed to a planned economy? Support your opinion.

General Relationships

What is the economic relationship between the following:

Economic growth and GNP.

Production and utility.

Consumption and utility.

Resources and scarcity.

Production and productivity.

Free goods and economic goods.

Capital goods and economic goods.

Capital goods and consumer goods.

Wants and consumer demand.

Primary wants and secondary wants.

Economic growth and scarcity.

Inflation and deflation.

"Perfect" competition and monopoly.

Key to Part I
Suggested Questions

Economics and the Economic Questions

1. Economics is "the study of how limited resources are used in attempting to satisfy unlimited wants." Economics usually includes the topics PRODUCTION, EXCHANGE, AND CONSUMPTION.
2. Utility is the ability to satisfy a human want (need or desire). Utility is the usefulness of a good or service.
3. There is a continuous, universal problem of a scarcity of resources in relation to wants.
4. Free Goods -- Utility provided by nature (e.g. air we breathe, sunshine).
Economic Goods -- Utility provided by human labor (e.g. air conditioner, suntan oil).
5. What to produce? How best to produce? Who gets what is produced? Answers to these questions are essential in responding to "scarcity."
6. One way in terms of cost. If the cost of iron goes too high, substitutes or synthetics may have to be used in producing some goods which are made with iron.
7. Economics in the broad sense of its meaning, relates to all natural, human, and capital (man-made) resources and the ways in which they are used to satisfy human wants.

Wants

1. Primary wants=necessities
secondary wants=comforts or luxuries
2. Because of scarcity of our resources we have to make choices among our wants.
3. Wants are transferred into demand when we add "ability to buy" to a "willingness to buy." For example, this is what happens when we go shopping and buy -- we combine the two.
4. "Wants" constitute human needs or desires to be satisfied.

"Utility" is the usefulness created by production of goods or services to satisfy wants.

"Consumption" is the using of utility to satisfy wants.
5. Biological needs; tradition; emulation (desire to have what others may have); convention; habit; and advertising. These are generally accepted sources of wants but you may add others or express the above in different terms.

6. Appeal is to emotions. This factor cannot help but be important for the future for many reasons associated with the quantity and quality of goods and services -- our life styles.

Resources

1. Land (natural resources), Labor (human resources), and Capital (man-made resources).
2. This question combines the philosophical, theoretical, and practical. The student's answer should be judged on the reasoning and values supporting it.
3. Capital (man-made means of production -- e.g. machines, tools, and printers ink.)
4. Many aspects of the quality of life are ultimately at stake. The quantity of anything is important only to the extent of its translation into the quality of life.
5. Land includes all natural resources (land itself, timber, air, water, minerals, wildlife).

Methods for Answering the Economic Questions

1. An opinion answer which should be based on reasoning and value judgement.
2. All four systems do to some extent. Communism and Socialism are most closely associated with central planning. Reasons given are usually associated with the wise and fair use of the society's scarce resources.
3. Advantages often cited: Fairness; individual freedom to choose; efficient in balancing supply with demand.

Disadvantages often cited: Scarce resources belong to society and the market system (supply and demand price system) does not always accommodate fair distribution; needs close regulation to prevent undesirable monopolies; has cyclical ups and downs in the marketplace if allowed to go unregulated and uncontrolled.

Economic Systems

1. They include competition, the profit motive, private ownership of capital, freedom of choice of jobs, limited government regulation of business, consumer strength in the marketplace, government encouragement of private enterprise.
2. Nations have different goals and points of view as to the ownership, control, and use of limited resources.
3. Theoretically: Communism -- collective or state ownership and control of all resources; Socialism -- collective or state ownership and control of major resources (e.g. steel, coal, energy, transportation, communications); Fascism -- private ownership but strong state control of resources; Capitalism=private ownership and control of all resources.

Practically: No nation has a "pure" system in actual practice.

Production

1. Land, Labor, Capital and Management.
2. Land -- natural resources; labor-human resources; Capital -- man-made means of production; Management -- coordinates production process.
3. Capital Goods -- Have utility in aiding in the production of other goods and services. Sometimes referred to as "producer goods."

Consumer Goods -- have utility in directly satisfying human wants.

4. Many possible combinations of correct answers -- teacher judgment.
5. Answers could include the following: To maintain a strong defense; space race with the U.S.; communist system "demonstration effect;" limited resources requires choice and this represents their choice; build, tools, machines, factories, to strengthen future production potential.
6. Information is difficult to obtain but it is known that the living standard in the U.S.S.R. is lower than in the United States. They do not produce as high a quantity of consumer goods and services.
7. The results obtained from resources used often is expressed as "production per man-hour of labor."

8. A B
 B A
 A B
 A

9. Answers might include: increasing labor skills; job specialization; incentives.
10. Production - The creation of Utility in a good or service.
 Productivity - Production per man-hour of labor.
11. Production -- The creation of utility
 Consumption -- The using of utility
12. All persons 14 years of age or older who are either working or looking for work (the "unemployment rate" is based on this frame of reference).
13. An open question requiring teacher judgment.

Distribution of Income

1. Rent
2. Labor
3. Requires teacher judgment.

General Relationships

(Consult Part I "Glossary," "Additional Teacher Material," and "Student Materials.")

PART I
GLOSSARY

CAPITAL:	Man-made means of producing other capital goods and consumer goods.
CAPITAL FUNDS:	Money used to purchase capital goods for production.
CAPITALISM:	An economic system based on private ownership and control of resources.
COMMUNISM:	An economic system based on collective (public) ownership and control of all resources.
COMPETITION:	Rivalry among consumers and producers in the process of exchange of products and services.
CONSUMER DEMAND:	Human wants made effective through the combination of an ability to buy with a willingness to buy.
CONSUMER GOODS:	Goods that have their utility in final consumption in contrast to capital goods, which are used for further production.
CONSUMPTION:	Using up of the utility of a good or service to satisfy wants.
CONTEMPORARY WORLD:	The world and time in which we live.
COOPERATION:	Groups of consumers and/or producers forming a business to serve themselves with goods or services.
DEFLATION:	A downward movement of prices with an increase in the value or purchasing power of each unit of money.
DICTATORSHIP:	Rule by a single political party. Often associated with an economic system where the government owns and controls resources.
DISCRETIONARY SPENDING:	Spending for secondary wants after primary wants have been taken care of.
ECONOMIC GOOD:	A good or service that has had utility added by human labor.
ECONOMIC RENT:	The return which the owner of natural resources (land) receives for its use as a production resource.
FACTORS OF PRODUCTION:	The agents or elements, broadly classified, that combine to create utility. Land, labor capital and management and generally accepted as factors of production.
FASCISM:	A political-economic system in which there is private ownership of resources, but government maintains strong nationalistic control.

FORM UTILITY:	The usefulness of a commodity because of the form in which it is available.
FREE GOOD:	A good or service which has its utility supplied by nature in sufficient abundance to satisfy human wants.
GROSS NATIONAL PRODUCT:	Total market value of the goods and services produced in a country during a year.
INFLATION:	An upward movement of prices with a decrease in the value and purchasing power of each unit of money.
INTEREST:	The price paid for the use of capital.
LABOR:	A human effort input factor of production which adds utility to goods or services at any stage.
LABOR FORCE:	All persons fourteen years of age or older who are working or looking for work (used by the Bureau of Labor Statistics for determining our unemployment rate, etc.).
LAISSEZ-FAIRE CAPITALISM:	Private ownership of resources with government to "Let things proceed without interference."
LAND:	The economic term for all natural resources.
LIMITED COMPETITION:	When there is some degree of influence in supply or demand in the process of exchange of goods and services.
MANAGEMENT:	Coordinating factor of production; either owners or representing owners.
MARKET:	A place where buyer and seller meet to exchange goods and services.
"MARKET METHOD":	Refers to the process of making economic decisions about resources through supply and demand.
MARKET PRICE:	Price at which a good or service is sold; set by supply and demand.
MASS PRODUCTION:	Production of large quantities of goods or services by the assembly line method.
MIXED ECONOMIC SYSTEM:	One in which no particular system is dominant in terms of ownership and control of resources.
"MODIFIED" CAPITALISM:	An economic system in which the government has a role in influencing proceedings in the economic process.
MONOPOLY:	Usually a condition which exists when there is a single control over the supply of a good or service. Monopoly does not necessarily mean there is only a single supplier.

NON-PROFIT:	A firm or institution doing business under a non profit legal charter, as distinct from a firm chartered as a cooperative.
NATURAL RESOURCES: (LAND)	All things in nature which man uses in production.
PERFECT COMPETITION: (FREE COMPETITION)	A situation that exists when there are so many sellers or buyers of a product or service that no individual seller or buyer can influence market price.
PLACE UTILITY:	Usefulness that a commodity has because it is where it is needed.
PLANNED METHOD:	Refers to the process of making economic decisions about resources through the central government.
POSSESSION UTILITY:	Usefulness that a commodity has because of personal possession value.
PRIMARY WANTS:	Needs that have to be satisfied to maintain life.
PRICE:	Value expressed in terms of money.
PRODUCER GOODS:	Same as capital goods. Man-made means of production.
PRODUCTION:	The process of creating utility in goods and services.
PRODUCTIVITY:	Production per man-hour-- a way of measuring the efficiency rate of production.
REAL INCOME:	Purchasing power of money income. (If prices go up 10 percent and money income goes up only 5 percent, then real income goes down 5 percent).
SCARCITY:	In economics, it relates to the relationship between unlimited wants and limited resources.
SECONDARY WANTS:	Wants which are satisfied to provide comfort or luxury to life.
SOCIALISM:	An economic system based on the collective (public) ownership and control of major resources (e.g., communication systems, energy resources, etc.).
SUBSIDY:	A sum of money or other resources granted (not loaned) by government to assist business necessary to the public (e.g., agriculture, shipping, airlines, railroads).
TECHNOLOGY:	Techniques, methods, or processes used in production. Usually has a reference to the application of scientific knowledge.

TRADITIONAL METHOD:

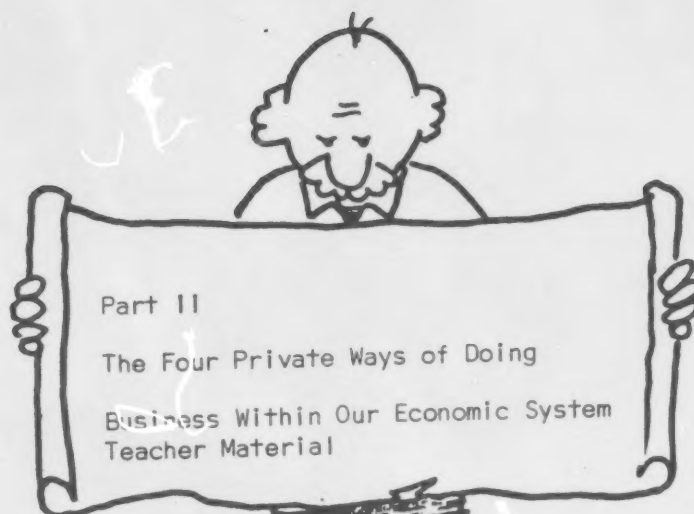
Refers to the process of making economic decisions about resources based on "what has always been done."

UTILITY:

The quality of usefulness of a good or service that enables satisfaction of a human want.

VALUE:

The worth of something in relation to other things. In economics it is utility value expressed in terms of price.



PART II

WHAT IS AMERICAN BUSINESS?

A private enterprise system plays a vital role in our U.S. economic framework. It consists of 4 ways of organizing to do business: individual proprietorship, partnership, investor-owned profit corporation, and user-owned cooperative corporation.

The individual proprietorship is the oldest and still involves the largest number of businesses. It is an important way for individuals to contribute to and benefit from a free system. In agriculture, we feel a desperate need to sustain the tradition of the individual "family farm" operation. In industry, the craftsman with his small factory has given way to mass production- a process associated with competitive growth. In commerce, the small "ma and pa" grocery is being phased out. But many independent supermarkets and other retail stores are proprietorships.

The investor-owned profit corporation was a logical part of business growth with its increased risk and need for larger investments. It gave investors incentive to buy ownership shares with limited risk. Since the corporation is a created legal person, stock owners can benefit from profits but have personal liability for losses only to the extent of their investment in the corporation. Management efficiency and mass production methods have raised productivity (production per man-hour of labor) to account for a great part of the success of our system. Though we have demonstrated that "bigness is not badness" we must maintain a basic philosophy of encouraging competition and individual incentive.

The partnership arose from the concept of sharing risks and profits from larger quantities and more diversified qualities of production and exchange through a legal mutual agreement. Only a few are found in agriculture and industry; seem best suited to commerce, especially professions and other service businesses.

The user-owned cooperative corporation also has been an integral part of American success. A corporate business form, it is organized by individuals or other businesses to provide goods or services primarily to use themselves, rather than to make profits by sale of goods or services to others. The cooperative corporation is an important alternative business method. It serves to maintain direct control by individual user owners. Cooperative corporations have been important innovators in exchange of ideas and patterns. They help maintain competition in our tightly-controlled economy. Their greatest U.S. success has been to enable farm families to market crops and buy supplies and services. But more non-farm families now use them to buy goods and services. This Guide is designed to alleviate widespread misunderstanding of cooperatives' role in society.

Students need an adequate understanding of all four forms of private enterprise to enable them to make wise choices in sustaining family income.

THE INDIVIDUAL PROPRIETORSHIP

MAJOR POINTS

- Simplest form of business organizations.
- Largest number among business organizations.
- Owned by a single individual.
- Well-adapted to fields of production requiring only small amounts of capital, risk, and management.
- Particularly well adapted to retail stores and personal service businesses such as beauty shops, television repair and dry cleaning services.
- Also, well adapted to the "family farm" which has made such a large contribution to our economic well-being.
- The proprietorship dissolves at the death of the owner.

ADVANTAGES

- Owner is the boss.
- Usually locally owned, locally well known.
- Owner usually knows customers and can customize services on a personal basis.
- Usually close employer - employee relationship.
- Usually easily created and can easily be dissolved.
- Usually can have personal influence on local policies affecting his/her business.
- Owner usually becomes an integral part of the total community life. This provides a good atmosphere for the family.

DISADVANTAGES

- Owner has unlimited liability for business losses.
- Owner also assumes all other risks.
- Limitation of talent.
- Limitations on funds for business operations, capital expansion and extended business investment opportunities.
- Every aspect of business success or failure depends to a great extent on the health and ability of the owner (operation, supervision, credit, management, etc.).

► Performance Expectations: The student can:

Identify the types of businesses best suited to the individual proprietorship organization.

Identify types of business not suited and can provide supporting reasons.

Identify and explain the advantages of the individual proprietorship.

Identify and explain the disadvantages of the individual proprietorship.

Relate the characteristic advantages and disadvantages of the proprietorship with those of other types of business organizations.

► Important Concepts: (Check Glossary)

Individual Proprietorships

Unlimited Liability

MAJOR POINTS

- Consists of two or more persons owning a business.
- Legally created by drawing up a written partnership agreement contract that is legally enforceable.
- States vary to some extent in terms of the different types of partnerships that can be legally formed. The most common type is the general partnership, in which each partner is personally liable for any debts or other obligations of the partnership.
- Most states allow for a so called "limited partnership" in which the liability for some partners under certain circumstances can be provided for in the agreement.
- Partnerships are well suited to professional type business because of potential for diversity of talent, sharing of fixed costs, and consultation on decision making.
- "Silent partners" share in the business, but take no active or conspicuous part.

Advantages

- Potential for larger amounts of capital funds than proprietorships.
- Can provide for a variety of abilities.
- Agreement can provide for a sharing of risks, costs, management and supervision.

Disadvantages

- Perhaps the greatest disadvantage is the unlimited liability of each partner for the debts of the business.
- Too large a partnership may become an unwelcome deterrent to an efficient operation.
- May be a limitation on funds.
- Partnerships are relatively unstable by the very nature of human agreement.

Performance Expectations: The student can:

Identify the types of businesses best suited to the partnership organization and give reasons why.

Describe the major provisions in a legal partnership agreement.

Identify and explain the advantages of the partnership arrangement.

Identify and explain the disadvantages of the partnership arrangement.

Relate the characteristic advantages and disadvantages of the partnership compared to those of other types of business organizations.

Important Concepts: (Check "Glossary")

Partnerships
Partnership Agreement
General Partnership

Limited Partnership
Silent Partner
Limited Liability

MAJOR POINTS

- One of 2 private business corporation types (cooperatives, later).
- Investor-owned for profit.
- Can be organized by 1 or more incorporators, depending on state law.
- Created as legal person by state (usually) or national government.
- A charter is issued with provisions for corporation to operate under.
- ~~As a~~ legal person, corporation lives after owners' death—
charters may have to be renewed after specified periods in some states.
- Owned by stockholders who may or may not use its services.
- Stock to start or expand business usually issued and sold thru investment banks.
- Management is by a board of directors and officers, elected according to charter provisions.
- Each common stockholder has as many votes in elections as the number of shares issued in that stockholder's name.
- Securities sold are: Stocks (representing ownership) which are common (voting stock), preferred (usually non-voting but receives a fixed dividend before common stockholders receive any dividend), and bonds (representing creditorship).
- Investor-owned corporations are of two types:
 - Open: Stocks and bonds sold on open market to public at large.
 - Closed: Stocks are owned by individual or group, not sold on the open market. Purchase only from stockholder by direct dealing.
- Contrary to common understanding, most corporations are relatively small and closed.
- Returns to common stockholders is determined by the board of directors. (Refer to chart)

Advantages

- Stockholders have "limited liability" for corporation debts because of its legal status. Their losses limited to amount invested.
- Life is usually perpetual under charter terms. This creates an opportunity and incentive for long-range planning.
- Can raise funds by selling new stock or bond issues within restraints of its charter and the law.
- Ownership is easily transferred.
- Especially suited to large-scale operations, high risk fields or when high capital costs are involved.

Disadvantages

- Taxes are high.
- Employer-employee relationships in larger corporations usually impersonal.
- Majority of stockholders in large corporations have little management control.
- More government regulation and closer supervision of business operations than proprietorships and partnerships.

THE INVESTOR-OWNED PROFIT CORPORATION

MAJOR POINTS

- One of 2 private business corporation types (cooperatives, later).
- Investor-owned for profit.
- Can be organized by 1 or more incorporators, depending on state law.
- Created as a legal person by a state (usually) or national government.
- A charter is issued with provisions for corporation to operate under.
- As a legal person, corporation lives after owners' death—charters may have to be renewed after specified periods in some states.
- Owned by stockholders who may or may not use its services.
- Stock to start or expand business usually issued and sold thru investment banks.
- Management is by a board of directors and officers, elected according to charter provisions.
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- Especially suited to large-scale operations, high risk fields or when high capital costs are involved.

Disadvantages

- Taxes are high.
- Employer-employee relationships in larger corporations usually impersonal.
- Majority of stockholders in large corporations have little management control.
- More government regulation and closer supervision of business operations than proprietorships and partnerships.

USER - OWNED COOPERATIVE CORPORATION

MAJOR POINTS

- The second type of private business corporation.
- User-owned for service to users, not for profits to stockholders.
- Organized as a business by individuals who invest, not to sell goods or services to others, but to serve themselves.
- Income from business with users is considered earnings and is returned as "patronage refunds" according to proportion of goods or services bought from, or sold to, the co-op during the year.
- The cooperative corporation is created as a legal person upon acceptance of a charter application by the proper state or national authority.
- A charter is granted under which, as a created legal person, the co-op operates as a business.
- As a legal person, the co-op lives on after death of its owners.
- Interest paid on invested capital is strictly limited.
- Each user-owner (member) has only one vote regardless of the number of ownership shares held.
- Members elect a board to act as their agent. The board hires a manager to run the business from day to day.
- Income from dealings with non-members is considered profits and is taxable under corporate tax provisions.
- The cooperative business corporation should be distinguished from informal cooperative activity by groups.

➤ Advantages

(Members have "limited liability"; are liable for corporation debts only to the extent of their shares in the cooperative.

Each member has a chance to participate in making decisions about the role and functions of the cooperative.

Each member has an equal voice and vote in cooperative affairs and in election of directors.

The business continues after the death of an owner -- encouraging long-range planning.

➤ Disadvantages

Corporations including cooperatives are often subject to more government regulation and closer supervision than are proprietorships and partnerships.

Misunderstanding is widespread about the role and function of cooperative corporations in American economic life.

► Performance Expectations: The student can:

Illustrate and describe the legal creation and status of the regular corporation.

Define what a "corporation" is and identify the different types of public and private corporations.

Identify and explain the advantages of the investor-owned corporation.

Identify and explain the disadvantages of the investor-owned corporation.

► Important Concepts: (Check "Glossary")

Corporation
Stockholders
Stock
Common Stock
Preferred Stock

Bond
Board of Directors
Officers
Limited Liability
Dividends
Proxy

► Clarification

There are more than 22,000 credit unions in the country and nearly 1,000 rural electric cooperatives. Farm supply cooperatives provide farm families with more than one quarter of the supplies they need to farm. Some well known brand names such as Sunkist, Ocean Spray, Land O' Lakes, are those of marketing cooperatives through which farmers market their crops. Independent grocers own wholesale cooperatives and some other investor-owned businesses also own cooperatives. The Associated Press is a cooperative owned by newspaper firms.

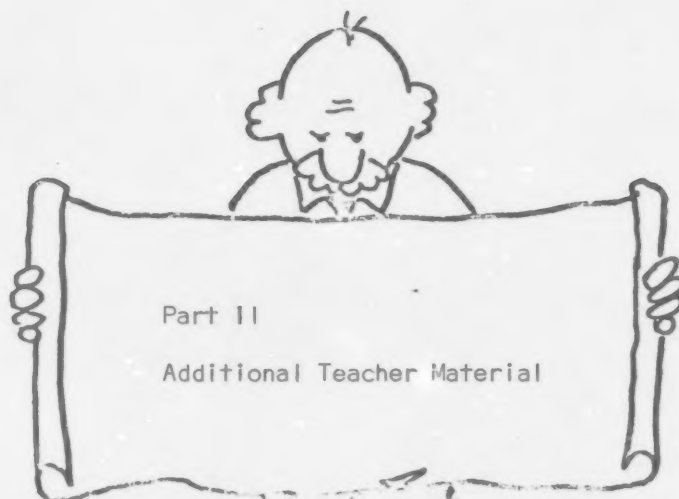
FOUR METHODS OF DOING BUSINESS UNDER OUR FREE ENTERPRISE SYSTEM

A COMPARISON CHART

Phases	Single Proprietorship	Partnership	Investor-owned Profit Corporation	User-owned Cooperative Corporation
1. Why is the business run?	To buy or produce & sell goods or services at a profit.	To buy or produce & sell goods at a profit.	To buy or produce & sell goods or services at a profit.	To buy or produce needed goods or services & provide them to its members at cost.
2. To whom are the goods & services sold?	The non-owner public.	The non-owner public.	The general public.	Chiefly to its own members, but also in most co-ops to the general public as well.
3. How is the business started?	Decision & investment of individual.	Agreement between, & investment by, associates who become partners.	Organization & investment by associates who become stockholders.	Organization & investment by associates who become owner-members.
4. How does the firm become legal?	By public declaration. Sometimes a license or permit required.	By partnership agreement contract between two individuals, within all legal provisions. Contracts may be recorded.	By incorporation thru a state government. A charter is granted specifying provisions under which the corporation can function as a legal persons.	Usually incorporated under special laws requiring operation according to co-op principles & practices. States charter most co-operatives; some, like some credit unions, are federally chartered.
5. Who controls the firm, selects the manager & makes policy decisions?	The individual.	The partners, by agreement.	The board of directors elected by the stockholder-investors.	The board of directors elected by the member-owners.
6. How is voting done?	None necessary.	According to the partnership agreement.	Usually one vote for each share of stock.	Usually one member, one vote.

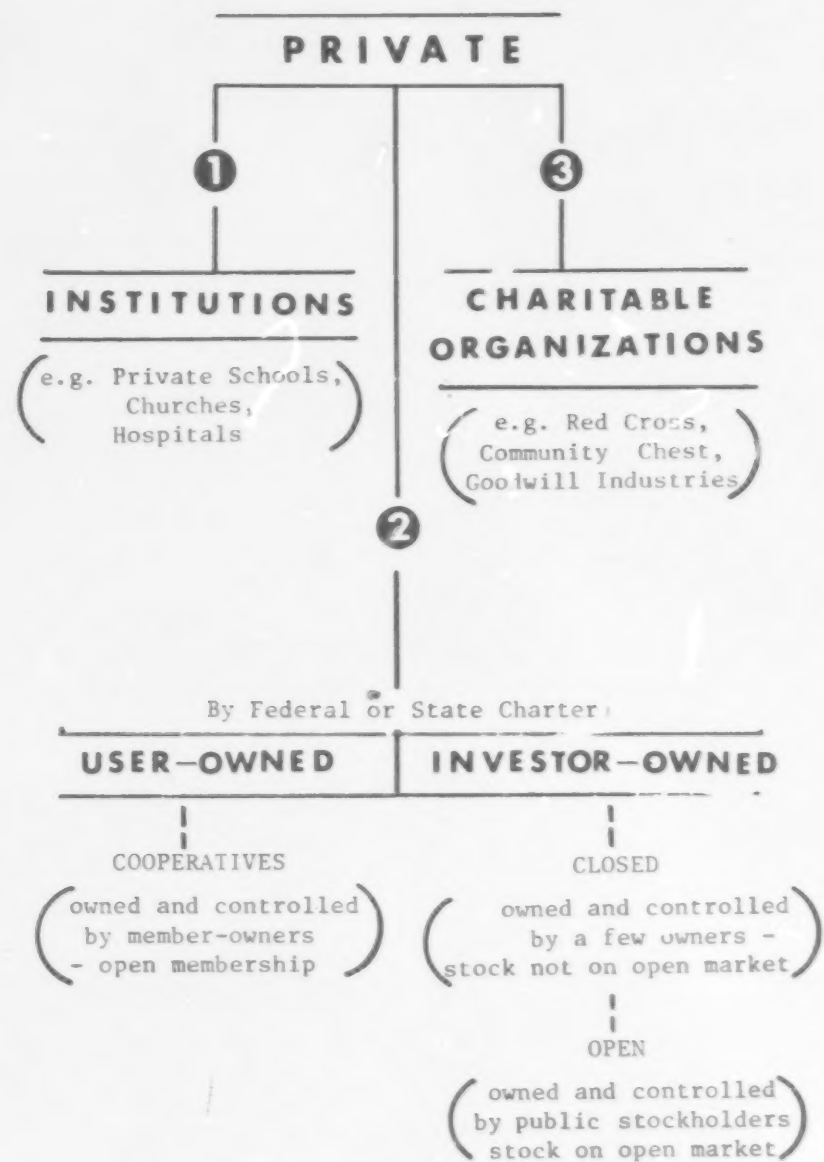
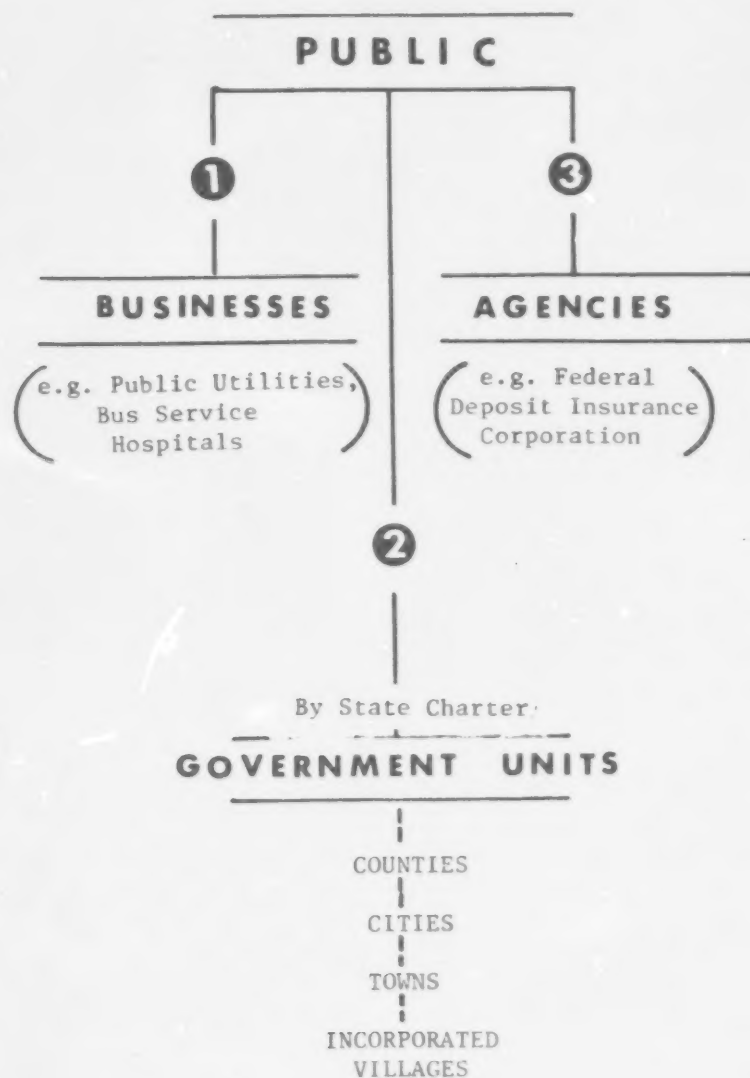
FOUR METHODS OF DOING BUSINESS UNDER OUR FREE ENTERPRISE SYSTEM (Continued)

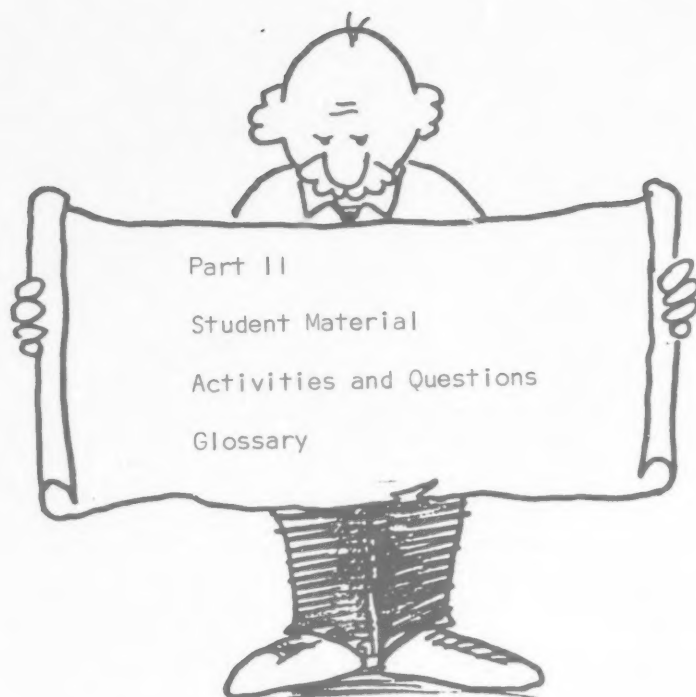
Phases	Single proprietorship	Partnership	Investor-owned profit corporation	User-owned cooperative corporation
7. Who owns the business?	The individual	Two or more individuals	The stockholders	The members
8. What returns can be received on money invested?	Unlimited	Unlimited	Unlimited	Usually limited to a maximum of 5% and never more than 8%
9. How may net earnings be used?	As desired by individuals	As agreed upon by partners	As dividends to stockholders, as reserves, or both	After payment of interest on shares and provision for required reserves, all remaining earnings are distributed to patrons in proportion to their patronage
10. What is the owner's liability?	All property of individual, except legal exemptions	All property of all partners except legal exemptions	Assets of the corporation	Assets of the cooperative
11. How may business be ended?	Death, disability, bankruptcy or retirement of owner	Death of any partner, bankruptcy or decision to dissolve	Bankruptcy or legal dissolution of company	Bankruptcy or legal dissolution of cooperative
12. How are net earnings taxed?	Against individual owner	Against partners as individuals	At regular corporation tax rates	Cooperatives are taxed at regular tax rates on any earnings retained by the business. Cooperative patrons are taxed like individual partners on patronage refunds if refunds constitute income.



Part II

Additional Teacher Material





THE

Individual proprietorship

Usual
Characteristics

Personal liability unlimited

Rights, responsibilities and risks
are solely with the owner

Organization is usually simple with
close personal relationships

Finances limited

Interest and influence in local affairs
(usually)

Taxes are paid on profits as personal
income of the owner



The proprietorship

Advantages



- + Owner is the boss
- + Usually owned locally
- + Often provides customer services
- + Employer - employee relationship usually close
- + May closely influence community business policies
- + Owner often active in total community

Disadvantages



- Unlimited liability for losses
- Complete responsibility for business
- Usually limitations on talent
- Limitations on capital

• The partnership

the usual
characteristics →

P

Personal liability of each partner for
business debts

R

Rights, responsibilities and risks shared

O

Organized legally by partners' agreement

F

Finances shared by agreement

I

Interests in profits shared by agreement

T

Taxes usually paid by each partner
personally



The partnership

Advantages ☺

- + Partners agree to share costs and risks
- + Partners share management and supervision
- + Uses different talents
- + Larger capital amounts
- + Adaptable for professionals who work alone but share overhead costs

Disadvantages ☹

- Each partner liable for business debts
- Sometimes "too many chiefs"
- Hard to come to agreements
- May be inefficient if too large



Investor-owned profit corporation

Usual
Characteristics

P

Personal liability of owners limited
to what they own

R

Regulation by government relatively
close

O

Organized by one or more persons to
make profits

F

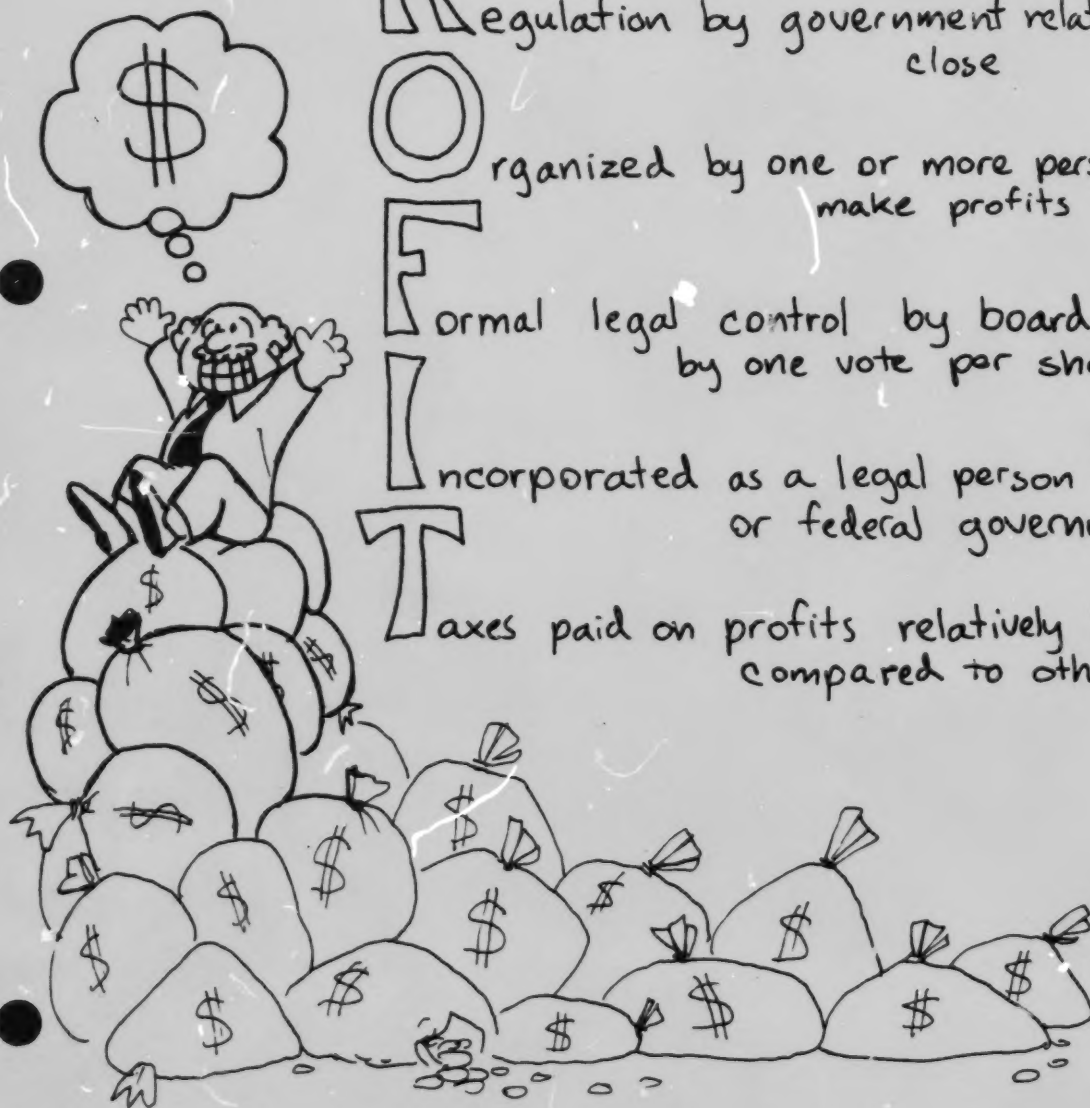
Formal legal control by board elected
by one vote per share

I

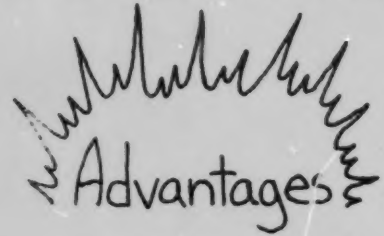
Incorporated as a legal person by state
or federal government

T

Taxes paid on profits relatively high
compared to other types

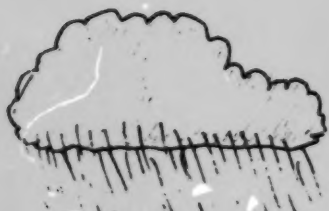


Investor-owned profit corporation



Advantages

- + Stockholders liable only for what they own in stock
- + Corporation lives beyond stockholders' lives (usually perpetual)
- + Can raise more money by approved stock sale
- + Suitable for high-risk ventures
- + Suitable for high-cost and large-scale ventures
- + Ownership easily transferred

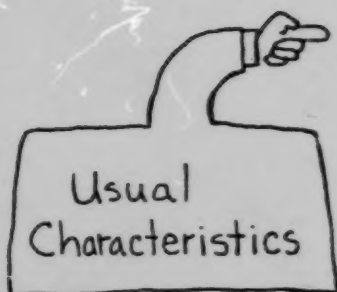


Disadvantages

- Taxes are high
- Employer-employee relationships usually not close in large corporations
- Most stockholders have little control in large corporations
- Usually government regulates more closely than partnerships and proprietorships

● User-owned

Cooperative corporation



S

ervice for member

E

very member urged to use and participate

R

eserves used to run and expand business

V

oting one member, one vote

I

ncorporated under a charter as a legal person, liable for own debts

C

orporation taxes paid on income not distributed to members

E

entry for owners usually open to all who can use



User-Owned Cooperative corporation

Advantages



- + Service-oriented
- + User-owned
- + Members liable only for what each owns
- + Co-op lives beyond members' lives
- + One member, one vote
- + Earnings refunded on basis of use

Disadvantages



- Confusion about what they are and are not
- Only as strong as members' use of it
- More closely regulated by government than partnerships and proprietorships

THE

Cooperative Corporation

Synergistic Capitalism

SYN ↔ ERGISTIC
(TOGETHER) (WORKING)

WORKING TOGETHER CAPITALISM

WORKING TOGETHER, WITH PRIVATE OWNERSHIP
AND CONTROL OF THE BUSINESS

Pooling of needs,
money and effort
to serve themselves

(cooperative
corporation)



Hey!
Get away
from my pool!



Compare types of business organizations as to:

- Starting (difficulty etc.)
- Ownership (who, how, what rights)
- Control (who, how, degree)
- Risk (kinds, degree, limitations)
- Capital (how provided, use, potential)
- Talent (extent, limitations, potential)
- Taxes (kinds, rates, how paid)
- Liability (kinds and degree)
- Employer-employee relationships
- Profits (in relation to purpose and benefits)
- Legal relationships (inside and out)
- Relations with government (aids, control, regulations)





An Exercise

NAME _____

To Determine What Kinds of Businesses Are Best Suited to Different Types of Business Organization
Instructions: Identify certain types or sizes of business that would be appropriate within each of the business sectors. For example: Under agriculture, the small "family farm" proprietorship; under commerce, professional business partnerships; under industry, large high-cost auto manufacturing corporations; under commerce, a consumer cooperative supermarket.

Type of Business Organization	THE THREE SECTORS OF THE BUSINESS ECONOMY		
	Agriculture	Commerce	Industry
<u>Proprietorship</u>			
<u>Partnership</u>			
<u>Investor-Owned Profit Corporation</u>			
<u>User-Owned Cooperative Corporation</u>			

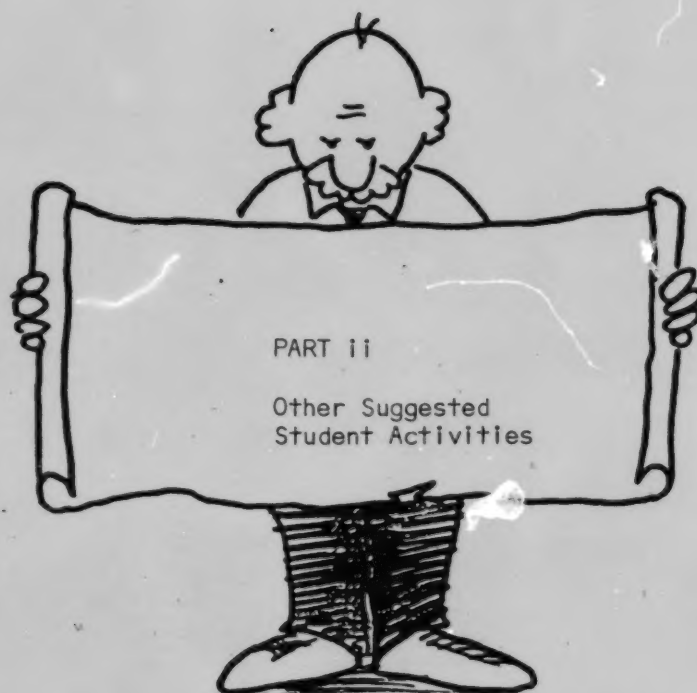
Student Exercise

NAME _____

FOUR METHODS OF DOING BUSINESS UNDER OUR FREE ENTERPRISE SYSTEM

Phases	Single Proprietorship	Partnership	Investor-Owned Profit Corporation	User-Owned Cooperative Corporation
1. Why is the business operated?				
2. To whom are the goods & services sold?				
3. How is the business started?				
4. How does the firm become legal?				
5. Who controls the firm, selects the manager & makes policy decisions?				
6. How is voting done?				

Phases	Single proprietorship	Partnership	Investor-owned profit corporation	User-owned cooperative corporation
7. Who owns the business?				
8. What returns can be received on the money invested?				
8. How may net earnings be used?				
10. What is the owner's liability?				
11. How may the business be ended?				
12. How are net earnings taxed?				



PART ii

Other Suggested
Student Activities

PART II
OTHER SUGGESTED STUDENT ACTIVITIES

Activities

Have students select a local business enterprise for analysis (you may want to use the "Individualized Study Project Outline for a Business Enterprise Analysis"

Compare a local cooperative corporation (user-owned) with a regular profit corporation (investor-owned).

Instead of providing the students with a completed chart of the "Four Methods of Doing Business Under Our Free Enterprise System," have them complete the chart using the student materials. It is an excellent way to determine misunderstanding, and lack of understanding about our business system.

Organize students into small groups and assign them to make a survey of the community or area in which they live. Have them analyze and then describe why they think particular types of business organizations have been organized to produce or distribute certain kinds of products or services. In class discussion make a comparative evaluation of each group's results to arrive at a reasonable class consensus.

Ask a panel of persons representing the four types of business organization to come to the class and describe the purposes, organization and function of their respective businesses. Limit the presentations to allow for a question-answer session. It may take more than one class period, but utilizing community resource people can be a very valuable method used for learning. Students can be highly motivated, particularly if they choose the people, and business people are usually happy to contribute their time and effort to a more positive and "accurate" understanding of business.

Learning Goals

- Reception
- Understanding
- Analysis
- Synthesis

- Adaption
- Analysis
- Evaluation

- Reception
- Responding
- Comprehension
- Adaption
- Analysis
- Synthesis

- Adaption
- Analysis
- Evaluation
- Valuing

- Awareness
- Comprehension
- Reception
- Response
- Attitudes
- Valuing
- Analysis

Have students relate different types of local businesses to present day economic conditions. For example: the small "ma and pa" grocery store; a fast food type of drive-in; manufacturers of large-size automobiles.

1. Are they increasing or decreasing in numbers? Why?
2. Is their increase or decrease due to operating efficiency or some other reason or reasons?
3. Does the fact that it is a particular type of business organization (proprietorship, cooperative, etc.) play a part in its present success or lack of success?

- Observing
- Understanding
- Adapting
- Analysis
- Valuing
- Evaluating

To what kinds of business is each of the four types of business organizations best suited? Why?

- Understanding
- Adapting
- Synthesis
- Evaluation

Assign students the task of contacting the state "Corporation Division" or other proper authority, to find out the procedures for becoming a business corporation.

- Reception
- Responding
- Understanding
- Adapting

As a Major Project

Divide the class into working groups and challenge them with planning, organizing, and creating their own mythical corporation. The state could furnish the necessary procedural information and forms.

- Adapting
- Analysis
- Valuing
- Synthesis

As a Major Project:

With the help of a local attorney, as an alternative to the above, some student group or groups may chose to draw up a "partnership agreement."

- Attitudes
- Adapting
- Valuing
- Synthesis

PART II
SUGGESTED QUESTIONS

Multiple - Choice

1. Which of the following is not characteristic of a proprietorship?
 - (a) Usually close personal relationships with employees and customers.
 - (b) Owner control means greater talent potential.
 - (c) Usually easy to organize.
 - (d) If owner dies, proprietorships dissolve.
2. Which of the following is not characteristic of the cooperative corporation?
 - (a) Member - owned
 - (b) Member - controlled
 - (c) One member - one vote
 - (d) Profit motive
3. Which of the following is not characteristic of a profit corporation?
 - (a) Investor - owned
 - (b) One vote for each share of common stock
 - (c) Controlled by a board of directors
 - (d) One vote per stockholder, regardless of number of shares of stock.

Short Answer

1. What is a major disadvantage of a partnership?
2. What is usually a major advantage of a partnership over a proprietorship?
3. What disadvantage does a partnership and proprietorship have in common?

Matching

Place the letter or letters of the business organizations that best represent the statements that follow below: (May be more than one).

- | | |
|--|---|
| A. Proprietorship | D. User - Owned Cooperative Corporation |
| B. Partnership | E. All of the above |
| C. Investor - Owned Profit Corporation | |

- ___ 1. Usually the easiest to legally create.
- ___ 2. Has "unlimited liability" for the owners.
- ___ 3. Usually sells to members only
- ___ 4. Pays its owners dividends from profits.
- ___ 5. Is not intended as a profit making business organization.
- ___ 6. May go into voluntary bankruptcy.
- ___ 7. Lives on after the death of the owners.
- ___ 8. Has stockholders as owners.
- ___ 9. People buy stock to make money from profits.
- ___ 10. One vote for each share of stock.
- ___ 11. Degree of ownership for each owner according to an agreement.
- ___ 12. Limited liability for owners in case of business indebtedness.
- ___ 13. Pays "patronage refunds" instead of dividends
- ___ 14. Is a legally created person.
- ___ 15. Can sell stock.
- ___ 16. Is likely to have non - owners directly controlling policies.
- ___ 17. Profit sharing is determined by formal written agreement.

True or False

- ___ 1. Corporation dividends are paid on preferred stock before common stock.
- ___ 2. In a proprietorship the owner has sole and complete responsibility (unlimited liability) for all losses of the business.
- ___ 3. Stocks represent ownership in a corporation.
- ___ 4. Stockholders have personal responsibility for the debts of the corporation they own.
- ___ 5. High taxes are considered a disadvantage of the investor-owned corporation.
- ___ 6. There is usually closer government supervision and control over corporations than proprietorships.
- ___ 7. A partnership business is itself a legal person responsible for its own debts.
- ___ 8. Corporations live on after the death of their owners.
- ___ 9. All types of business organizations can be dissolved through bankruptcy.
- ___ 10. User owned cooperative corporations are taxed on all earnings from sales to non - members.

"Key" to Part II
Suggested Questions

Multiple-Choice

1. B
2. D
3. D

Short Answer

1. Usually "unlimited liability" of each partner for the debts of the partnership.
2. Potentially more capital and talent; sharing of responsibility and supervision.
3. "Unlimited liability" of each owner for debts of the business.

Matching

1. A
2. A - B
3. D
4. C
5. D
6. E
7. C-D
8. C-D
9. C
10. C

11. B
12. C-D
13. D
14. C-D
15. C-D
16. C
17. B

True or False

1. T
2. T
3. T
- F. F
5. T
6. T
7. F
8. T
9. T
10. T

PART II
GLOSSARY

ASSEMBLY LINE:	A way of producing standardized goods with specialization (division of labor) organized to function with the greatest possible efficiency.
BANKRUPTCY:	The condition of being legally declared unable to pay one's debts.
BOARD OF DIRECTORS:	Persons elected or appointed to make policy and direct the operation of a corporation.
BOND:	Securities issued by corporations, representing a promise to pay a specified sum of money at a specified date in the future and to pay a fixed rate of interest in the meantime at fixed periodic times.
CLOSED CORPORATION:	Stock is owned by a small number of persons, often members of the same family; and the stock is not offered to the public for sale. Contrary to popular belief, by far the largest number of investor - owned corporations are closed corporations.
COMMON STOCK:	Securities issued by a corporation representing ownership - voting stock with no fixed dividend.
COOPERATIVE:	A business voluntarily owned and controlled by its member patrons, and operated for them and by them on a nonprofit or cost basis.
COOPERATIVE CORPORATION:	A user - owned business enterprise that is a legally created person under a state or (federal law) to function as a business under the provisions of a charter.
CORPORATION:	A legal person created by a state or the national government which functions under the provisions of a charter.
DEPRECIATION:	The loss of value of a capital good as a result of use or time.
DIVIDEND:	Share of the profits from corporation operations paid on common stock is dependent on profits and determined by the board of directors.
GENERAL PARTNERSHIP:	A partnership in which each partner shares in the responsibilities and benefits of the

	business according to the partnership agreement. Each partner has unlimited liability for debts of the partnership.
HOLDING COMPANY:	A "parent" corporation that owns all or a majority of the stock in subsidiary companies.
INDIVIDUAL PROPRIETORSHIP:	A business owned by one person.
INVENTORY	The stock of goods that a business keeps on hand.
INVESTOR - OWNED CORPORATION:	A business organized for the purpose of making profits for the owners.
LIMITED LIABILITY:	Refers to a stockholder's legal responsibility for the debts of a corporation are limited to the amount invested only.
MANAGEMENT:	The directing and decision - making factor of production, representing owners.
MERGER:	The absorption of one corporation by another.
"OPEN" OR "PUBLIC" CORPORATIONS:	Stock can be bought by the public on the open stockmarket. Most of the larger investor owned corporations are of this type, although the greater number are "closed" corporations.
PARTNERSHIP:	A business owned by two or more persons under a written legal agreement.
"PATRONAGE REFUNDS":	Overcharges for goods or services sold to members by a cooperative corporation and returned to members in proportion to their purchases.
PREFERRED STOCK:	Stock which is entitled to the payment of a fixed dividend before any dividend payments are made to common stockholders.

PROXY: A statement signed by a stockholder giving someone else the right to vote for him at a particular annual stockholders' meeting.

SILENT PARTNER: A partner who shares the risks, costs, and profits of a partnership, but does not actively participate in the work or management.

STOCK: A share of ownership in a corporation

UNLIMITED LIABILITY: Legal responsibility of the owner or owners for all the debts of a business.

USER - OWNED CORPORATION: A business organized for the purpose of providing a useful service for the member-owners.



Part III

The Cooperative in the U.S.

Teacher Materials

INTRODUCTION

Cooperation is as old as mankind. Even in primitive communities, people have found ways to share common needs. This common bond of humanity has expressed itself in businesses called cooperatives. Originating in Rochdale, England in 1844, these enterprises now have spread around the globe. They are among the most important businesses in Britain, Scandinavia, Israel and elsewhere, and are found in greater variety in North America than possibly other areas.

Cooperatives, a form of private ownership within economic systems, enables groups of consumers or producers to provide themselves with goods or services more efficiently than any one of them could do alone. In contrast, investor - owned businesses are organized to make profit by sale of goods or services to others. Cooperatives are run to return earnings to users rather than to investors. They are run democratically with only one vote per each member shareholder. By controlling the business, user - members can affect prices, margins, quality, reliability and safety of products and services. They also can gain in self - confidence and ability to run their own affairs, based on their common need.

In the United States, working together has been a tradition. In 1752, Benjamin Franklin helped neighbors form their own insurance society for fire protection. As later waves of immigrants came, they brought habits of mutual aid that helped form the basis for today's cooperatives.

Even in today's mobile society, volunteers are important on neighborhood projects as people do needed tasks by sharing skills, resources and enthusiasm. An example are credit unions, through which groups of people known to each other save together and borrow from the pool of savings. Voluntary boards and committees have aided their success.

Co-ops have spread ownership to many millions of Americans. For example, through CARE, the Cooperative for American Remittances Everywhere, many families send money to disaster - stricken families or to provide needy people tools for self - help. Through the Associated Press, newspaper owners share expense of news-gathering.

Rural students often have had first hand knowledge of cooperatives through their own or their parents' participation in them.

INTRODUCTION

96

Performance Expectations The student can;

Explain why many individuals and firms get together to form cooperative corporations.

Describe cooperative methods used in historical development of the United States from earliest times.

PRINCIPLES

MAJOR POINTS

Cooperatives generally have followed similar principles:

- One member, one vote. Regardless of how many ownership shares a member has, he or she has only one vote in helping to run the business.
- Limited return on capital: The purpose is to create services, not make money for owners.
- Refunds to users: By law, what is left after costs are met (what would be profits in an investor-owned business) belongs to users, usually based on the extent of use. Often this "patronage" refund, after being credited to the member's account, is invested by the member to help finance additional services. Co-ops also may benefit their members by their effect on competitors' quality, price or other aspect of services. (The comparison chart shows how co-ops compare with other businesses in purpose, operations, ownership and control, and returns to owners).
- Open membership: Cooperatives generally are open to anyone who can use the services the cooperative offers. However, some may be limited by law. For example, credit unions are allowed to serve only persons in groups known to each other such as fellow employees, residents of a defined community, church or union, or affiliates or another cooperative.
- Education: Cooperatives should budget for creation of members' understanding of how the cooperative works and his or her relationship to it. Leaders, management, employees as well as members need to understand their respective roles in the cooperative.
- Cooperation: Different cooperatives tend to work together in furtherance of common goals and purposes.

Performance Expectations: The student can:

Explain the basic principles under which cooperatives are organized.

Understand the reason why cooperatives must depend on member understanding of their principles for at least part of their success.

Understand why cooperatives are required to limit the return that they can pay on capital invested by their member - users.

HOW THEY WORK

MAJOR POINTS

- ▶ Any group of individuals, organizations or other businesses can form a cooperative in the United States for any good purpose.
- ▶ Most seek a corporate form under the District of Columbia (national) cooperative act or state statutes.
- ▶ Organizers draw up a statement of purpose and bylaws, which states who may be a member.
- ▶ The cost of ownership stock is usually nominal.
- ▶ The initial board, or organizers, determine initial capital needs and sell ownership shares like other corporate bodies.
- ▶ Interest income from membership stock is strictly limited.
- ▶ Most cooperative fund - raising is through sale of certificates on which interest is paid, or by reinvestment of savings by member-owners.

Performance Expectations: The student can:

Describe how the cooperative corporation functions as a business in terms of ownership, voting control, owner - member involvement, and success factors.

CONTROL

MAJOR POINTS

- Members, who have one vote regardless of number of shares held, elect directors and set basic policy at meetings at least annually.
- The directors, chosen by the members, elect their own officers and usually form committees to help them represent member interests between meetings.
- The board is the legal head of the cooperative, contracting and planning for the members' interests.
- The board may hire a manager to run the business and hire any needed staff (See chart).
- The manager makes recommendations and reports to the board.
- Changes in programs reflect what members want and need as far as the board and manager can determine wants and needs.
- A delegate body of members may be elected to pass ideas on to the official board.

Performance Expectations: The student can:

Understand the fundamental difference in the purposes and principles of cooperative corporations as compared to other forms of business organizations.

Define a cooperatively-owned business in terms of its purposes, principles and control structure, as distinct from that of an investor-owned business.

Explain how a group of local consumer (or producer) owners can have a voice in ownership of a large cooperative structure.

WHAT MAKES COOPERATIVES GO?

MAJOR POINTS

Three success factors have been:

► Money: Owners must be willing to invest their own capital to pay at least the initial cost of forming and promoting the cooperative and the continuing cost of running it.

► Management: Owners must budget for skilled management tuned to the needs of member - users, and able to work with an elected board in meeting those needs.

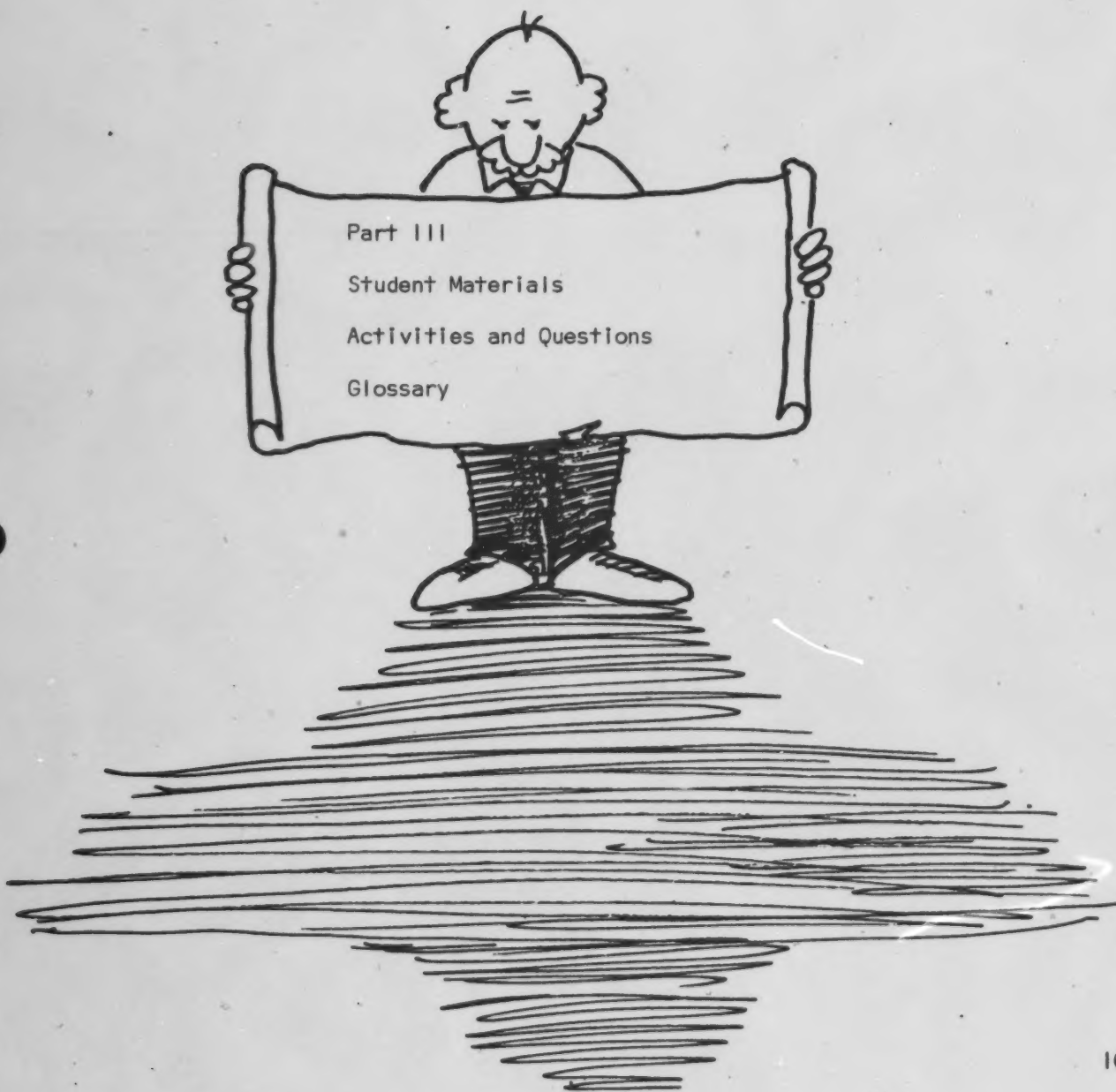
► Members: The key to all cooperatives is meeting the needs of members. In some cases families have set up cooperatives and then did not use them. If co-ops do not pool member needs effectively they can only fail, as any other business would fail for lack of customers. Decisions as to price, quality, reliability, safety and other factors associated with goods or services must relate to members' needs. And members must use the business they have set up.

Control is from the bottom up. A local neighborhood cooperative may decide it can improve service to members by working with or joining another cooperative to form a new larger entity. The board of the new cooperative will then consist of representatives of the participating cooperatives. This assures that, no matter how large a business is, members can control and give direction to it through their elected representatives.

Performance Expectations: The student Can:

Understand the three principal elements in success of a cooperative venture and be able to explain why they are important.

Understand the importance of group activity in planning for future family needs such as health, protection, legal services, etc., and how a cooperative venture can aid in this planning.



Cooperatives

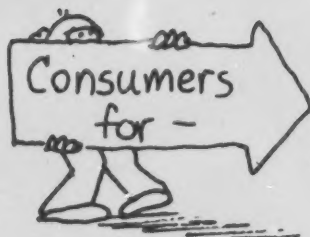
- ⚙ Are open to people who can use them
- ⚙ Are run for meeting members' needs, not to make profits for stockholders
- ⚙ Belong to members—one member, one vote
- ⚙ Return to users money beyond costs
- ⚙ Pay limited return on capital

THEY SUCCEED IF MEMBERS:

- ☑ Understand them
- ☑ Have good management
- ☑ Use them



Cooperatives are owned by—



Personal needs: food etc.

Shelter

Protection- health, insurance, credit, legal

Maintenance- repair, etc.

Supplies and service - utilities,
farm needs, etc.



Farm marketing

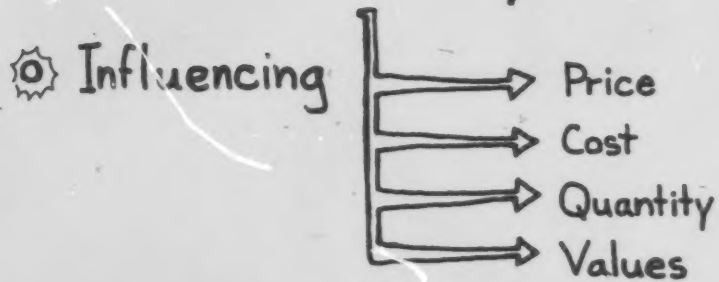
Artisans' needs

Retailers' needs

Fishery needs

Other production supplies and
services

Cooperative members benefit by:



⚙ Getting what's left above costs

⚙ Getting new services



What makes co-ops go?



IT TAKES
The Three M's

⚙️ MEMBERS

with a common need

⚙️ MONEY

- from members
- borrowed

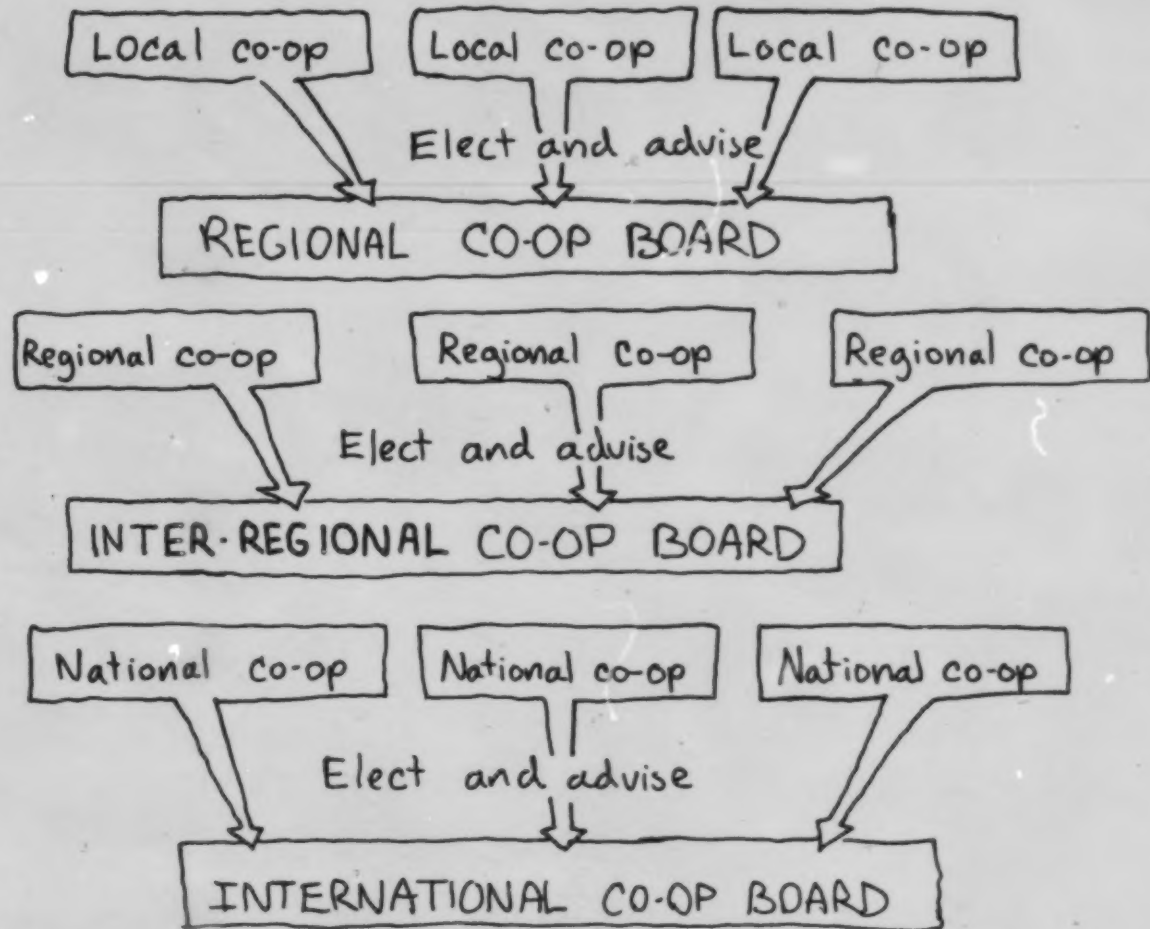
⚙️ MANAGEMENT

Elected board hires the
manager

How co-op members can run big co-ops



Members have the ability to control if they want to



Groups of families can buy:

- ⚙ Insurance (health, auto, life)
- 🔥 Medical and dental services
- ⚙ Memorial - planning for needs at death
- ⚙ Legal - planning for needs, and consultation
- ⚙ Repair - home, T.V, auto, at fair prices and assured quality



Informal group buying

Helps members

- ⚙ Obtain supply
- ⚙ Make wider choices
- ⚙ Affect costs
- ⚙ Control quality by

Buying at group discounts

Buying at wholesale,
dividing work among
members



PART III
SUGGESTED STUDENT ACTIVITIES

<u>Activity</u>	<u>Objective</u>
Analyze community enterprises to determine which are investor-owned and which are owned cooperatively.	Understanding of forms of business ownership and control by owners.
Analyze community needs to determine those not now being met, and best method of meeting them-investor-owned or cooperative methods.	To perceive common needs of individuals and others and methods of meeting them in the local community.
Compare a local cooperative and comparable investor-owned business as to services, sources of capital, distribution of earning, taxes paid, etc.	Understanding comparable business roles and functions.
Formation of an informal buying group for purchase of needed supplies, etc.	Methods of determining common needs, size of groups, supply sources, responsibility for group tasks, benefits to be derived.
Formation of a student cooperative to provide car washing, delivery service, yard care, pet sitting, sale of citrus fruit, Christmas trees or other community needs through use of student labor on an organized basis.	Skills in organization, purchasing and selling methods, record-keeping, sharing of expenses and returns based on individual student's sharing of labor and skills.
Interview a manager of a local cooperative to determine: How the cooperative serves its members How members have a voice in helping run the cooperative How the cooperative differs from a competing business.	

SUGGESTED TRUE/FALSE QUESTIONS

- _____ 1. A cooperative is a voluntary association of people organized to run a business through which they serve themselves.
- _____ 2. All cooperatives are set up so that members vote by the number of shares of stock they own.
- _____ 3. In most cooperatives refunds are made to members in proportion to their patronage.
- _____ 4. The voting in an investor-owned corporation is according to the number of shares of stock owned.
- _____ 5. Cooperatives are mainly for service, not profit.
- _____ 6. In a cooperative the capital is generally supplied by investors seeking profits.
- _____ 7. Management is more important in an ordinary corporation than in a cooperative.
- _____ 8. The manager of a co-op receives his authority from the board of directors.
- _____ 9. The patrons and members are the owners of the cooperative and provide most of the necessary finances.

KEY TO SUGGESTED TRUE-FALSE QUESTIONS (p. 115)

1. T
2. F
3. T
4. T
5. T
6. F
7. F
8. T
9. T

PART III
SUGGESTED QUESTIONS FOR DISCUSSION

1. What areas of economic life appear to be ones in which cooperative action by people to meet common needs would be likely to be most effective? Why?
2. Can you suggest why credit unions have grown faster in the United States than in other parts of the world?
3. What kind of responsibilities might a member of a cooperative have that are different from those of another type of business owner?
4. Why are there only a few large cooperative retailing enterprises in the United States, compared to those in Scandinavia, England, etc.?
5. How does a cooperative differ from a government-run enterprise?
6. What responsibilities might a member of a cooperative corporation have that are different from those of someone buying with a group at discount prices?
7. What are the dangers of relying too much on the government for help?
8. How can small businesses solve some of their economic problems without giving up their decision-making right?
9. How do cooperatives assist people in helping themselves?
10. Why do farmers use cooperatives?
11. Do you think of the farmer as a businessman? Why?
Has this image always prevailed in America? Why or why not?
12. How do you think of a co-op as a business?
13. American co-ops are the opposite of government under socialism. Illustrate.

PART III
GLOSSARY

COOPERATIVE CORPORATION:	A democratically controlled business set up and run to fill a common need of its user-owners. It may also serve others who need the service.
COOPERATIVE HEALTH PLAN:	A health service program in which users, rather than medical practitioners, determine the cost of health services by bargaining with the practitioners. Usually based on prepayment by the users.
CO-OP REPAIR:	A system through which users of equipment, such as autos, TV or homes, can bargain with repair firms for services at an agreed upon price and quality.
CO-OP STORE:	A retailing enterprise, owned and operated by its users to serve themselves, rather than by outside investors to make a profit.
CREDIT UNION:	A credit cooperative through which people known to each other save together and borrow from the pool of savings.
FARM CREDIT:	A system of credit institutions through which farm families and their cooperatives can supply themselves with needed credit to conduct businesses, obtain mortgages, land or other needed items.
FARMER COOPERATIVE:	A business set up by farm families to enable them to buy needed supplies or market their crops or secure other services that they all need.
GROUP LEGAL SERVICES:	An arrangement through which individuals or families bargain with attorneys to provide legal services at a known cost, through advance payment by the clients.
GROUP TRAVEL:	A system through which people can arrange in advance for a charter or other system for overseas or domestic travel, usually by air.
HOUSING COOPERATIVE:	A community in which residents occupy a housing unit and own a share in the

entire development, based on their investment in the cooperative.

LIMITED INTEREST:

Interest paid for the use of capital in a cooperative, restricted in amount because the purpose of a cooperative is to provide a service, not to make money for investors.

MEMORIAL ASSOCIATIONS:

Cooperative type groups through which people can arrange for funeral or memorial services when someone in their family dies, by making their wishes known in advance of death through pre-planning.

OPEN MEMBERSHIP:

A cooperative principle meaning that the cooperative is open for anyone who can use its services to join.

PATRONAGE REFUND:

Whatever is left after the cost of doing business is done, distributed to those who have used the service in proportion to their use of the cooperative.

RURAL ELECTRIC COOPERATIVE:

A cooperative owned by rural families to provide themselves with central station electric service at cost.

SHARE:

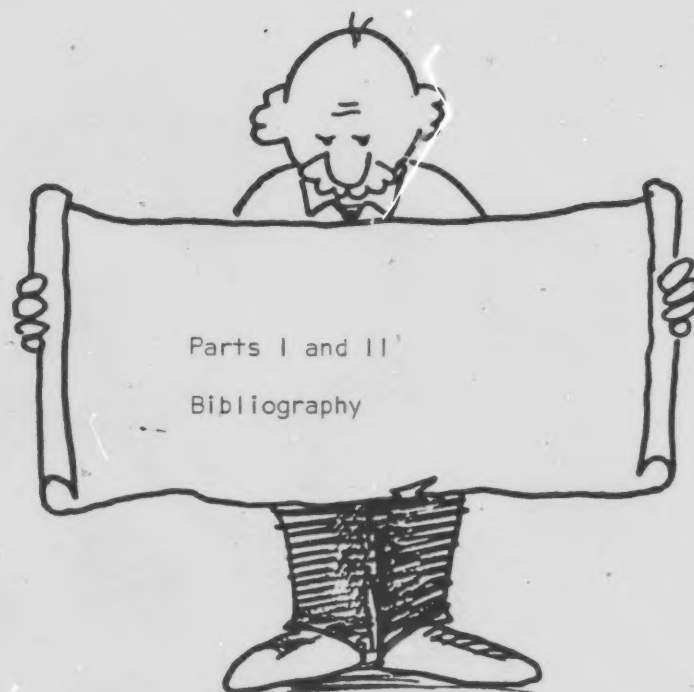
A membership record or certificate showing that its owner is an investor in a cooperative enterprise, and the amount of that investment.

COOPERATIVE FACTS AND FIGURES 1976

<u>Kind of Co-op</u>	<u>Number of Co-ops</u>	<u>Membership</u>	<u>Dollar Volume</u>
Consumer goods	1,000	1.2 million	\$477 million
Credit unions	22,866	31.4 million	\$33.9 billion savings \$27.9 " loans outstanding
Rural electric	934 (49 G&T)	8,039,686	\$2.84 billion (distr.) \$947 million (G&T)
Farm Credit System			
Banks for Co-ops	13	3,171	\$8.9 billion
Federal Land Banks	553	467,039	\$4.4 billion
Production credit	432	331,635	\$16.1 billion
Farm marketing, supply and service	7,645	6,100,000	\$42 billion
Fishing	104	8,772	N.A.
*Group health plans	15	400,000	N.A.
Housing	2,500	500,000 families	\$1 billion annually
Insurance, co-op related	2,034	7,607,497	N.A.
Memorial societies	135	600,000	N.A.
Nursery schools	1,700	68,000	N.A.
Student co-ops	250	25,000	N.A.
Telephone co-ops	238	1,013,882	\$146,102,100

Note: All figures shown are for 1975 with these exceptions: 1974 figures are the latest available for farm cooperatives, group health, housing, insurance, nursery schools, student and telephone co-ops.

*Only 15 group health plans are organized as cooperatives. There are about 200 group health associations, consumer-oriented and serving 4.5 million members.



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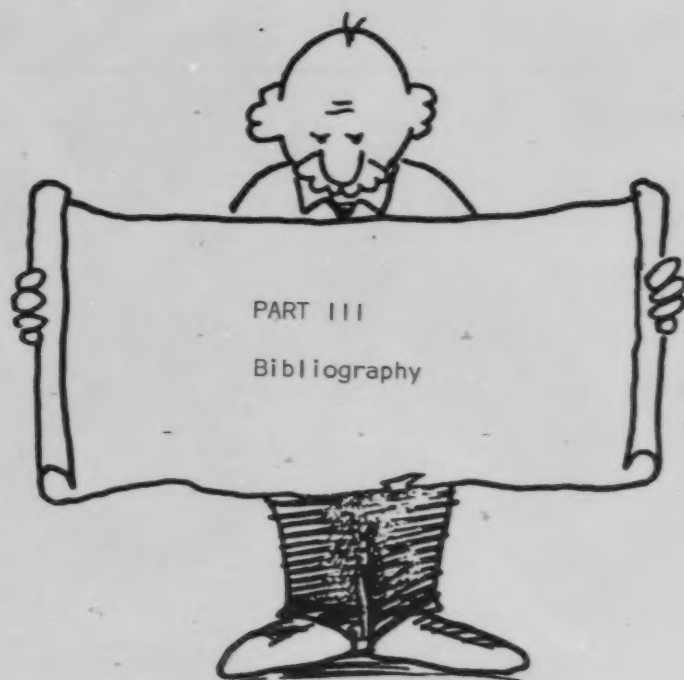
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the turn of the century.
52 min. Rental \$24. Available
from BAVI, P.O. Box 2093,
Madison, WI 53701

16 mm Film (color). Shows
how rural and urban communi-
ties are linked together
through their mutual needs.
30 mins. Rental: \$5.00
Available from: BAVI, P.O.
Box 2093, Madison, WI 53701



REFERENCES
PRINT MATERIAL

Available from CUNA Supply Corporation, Box 333, Madison, Wis. 53701

Author	Title	Published in	Publisher	Year	Pages	Price	Description
CUNA Public Relations	Using Credit Wisely	Madison, Wis.	CUNA Supply	1966	34	90¢ ea.	Teacher's guide on wise use of credit
CUNA Public Relations	A Teacher's Guide to Credit Unions	Madison, Wis.	CUNA Supply	1971 Rev.	24	75¢ ea.	Teacher's guide on credit unions
CUNA Public Relations	Credit Unions -- What They are, How They Operate, How to Join, How to Start One.	Madison, Wis.	CUNA Supply	1973 Rev.	Folder	\$4.40 C	Basic leaflet on credit unions

Available from CUNA Public Relations, Box 431, Madison, Wis. 53701

CUNA Public Relations	Brief History of the Credit Union Movement	Madison, Wis.	CUNA Supply	1974 Rev.	16	10¢ ea.	History of the credit union movement
CUNA Public Relations	Yearbook	Madison, Wis.	CUNA	Annual	24	1 Free	Report on year's progress

Available from Everybody's Money, Box 431, Madison, Wis. 53701

Editor	Everybody's Money Magazine	Madison	CUNA	Qrtly.	32	40¢--a year (50 or more)	Consumer magazine
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Films

Available from CUNA Mutual Insurance Society, Box 391, Madison, Wis. 53701

Producer	Title	Produced in	Year	Length	Price	Description
CUNA Mutual and CUNA	You'll Earn It	Madison	1973	24 min.	\$120--CUNA Mutual or loan, Modern Talking Pictures, 2323 New Hyde Park Rd., New York 10040	Money management for young people

Part II. References - 2

150 Available from the Cooperative League

Leaflets

<u>Author</u>	<u>Title</u>	<u>Place</u>	<u>Publisher</u>	<u>Year</u>	<u>Pages</u>	<u>Per 100 Price</u>	<u>Description</u>
Co-op League Staff	The important fact about a co-op	D.C.	Cooperative League	1970	8	\$4.75	("The customers own it")
" " "	What is a co-op?	"	" "	1969	6	4.75	("People organized to serve themselves")
" " "	Tom, Dick and Mary	"	" "	1970	8	4.75	Modern cartoon fable on co-ops
Danforth, Art	You and health co-ops	"	" "	1975	8	3.75	Describes prepaid consumer-owned plans
" "	Sue Jackson shops co-ops	"	" "	1976	8	.15 ea.	Varied ways consumers can use co-op idea
" "	The buying club	"	" "	1974	8	3.75	How a widespread form of co-op action works

Visual materials

Motion picture

Co-op League staff	This is a Cooperative	" "	16 mm. color 27 min. Rental fee: \$10 Advance deposit of \$15 required	How U.S. families use cooperatives
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Books

<u>Author</u>	<u>Title</u>	<u>Place</u>	<u>Publisher</u>	<u>Year</u>	<u>Pages</u>	<u>Price</u>	<u>Description</u>
Anderson, Glenn and Slettom, E. E.	Careers in cooperatives	D.C.	Cooperative League	1974	16	\$.75	Tells jobs available in co-op businesses
Co-op League staff	Co-ops: USA-1974	D.C.	Cooperative League		24	1.25	Facts and figures on U.S. cooperatives
Danforth, Art and Sekerak, Emil	Consumer cooperation	Palo Alto, Calif.	Consumers Cooperative Publishing Assoc.	1975	102	1.25	History and outlook for U.S. consumer co-ops
Voorhis, Jerry	Cooperative enterprise	Danville, Ill.	Interstate printers & publishers	1975	239	7.95	Relevance, direction and future of U.S. co-ops
Danforth, Art	Ours	D.C.	Cooperative League	1974	10	1.25	How to organize a consumer co-op

Pamphlets

Dodge, Philip	A new look at cooperatives	N.Y.	Public Affairs	1973	28	.35	Brief analysis of U.S. co-ops
Chase, Stuart	Story of Toad Lane	D.C.	Cooperative League	1969	15	\$10.00 per 100	How co-ops started in Rochdale, England
Danforth, Art	Direct economic action	D.C.	Cooperative League	1973	9	.35	Economic effect of co-ops
Stanton, Beryle	Farmer co-ops- farm business tools	D.C.	Farmer Co-op Service	1970	74	Free	How farmers benefit from co-op use

SOURCES OF COOPERATIVE MATERIALS
(AIC)

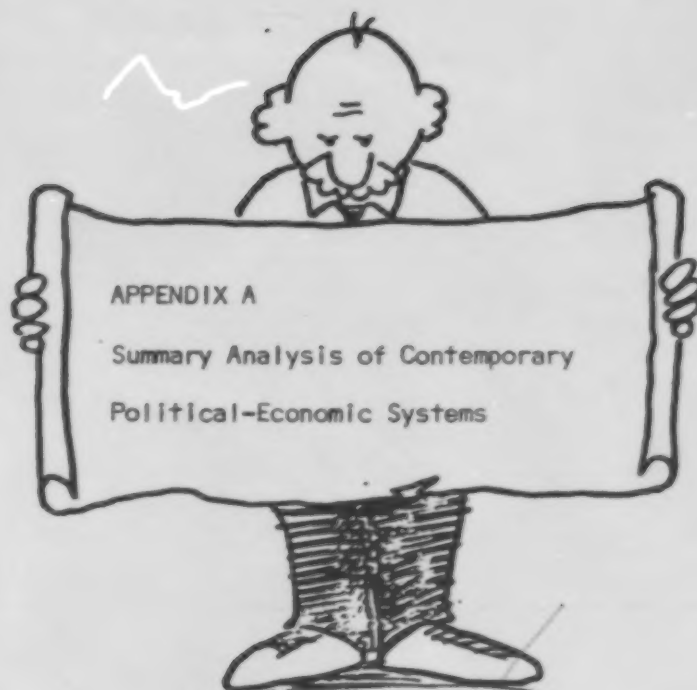
Available from American Institute of Cooperation, 1129 20th St. NW, Washington, D.C. 20036

Printed materials

<u>Author</u>	<u>Title</u>	<u>Place</u>	<u>Publisher</u>	<u>Year</u>	<u>Pages</u>	<u>Per copy Price</u>	<u>Description</u>
Hallberg, Owen	Cooperatives- what are they?	D.C.	American Institute	1975	8	\$.20	Statistics and purposes of U.S. co-ops.
" "	Cooperatives- why use them?	"	"	1975	12	.20	Co-ops' place in the economy and member services
AIC	Business in our community	"	"	1975	24	.50	For junior high school use -- emphasis on business types

NON-PRINT MATERIALS

<u>Producer</u>	<u>Title of visual</u>	<u>City produced in</u>	<u>Year</u>	<u>Length</u>	<u>Price</u>	<u>Description</u>
AIC	The American private enterprise system	Washington, D.C.	1968	48 Slides	\$7.00	Slide set that discusses major types of business
AIC	How people do business in our democracy	Washington, D.C.	1975	17 min.	1.50	Movie that explains the American enterprise system (ways of doing business)
AIC & FCS	Cooperatives -- The Farmers' Way	Across the U.S.	1976	24 min.	\$150	A story of self-help cooperative enter- prise played by farmers being them- selves.



A SUMMARY ANALYSIS OF CONTEMPORARY ECONOMIC SYSTEMS

Capitalism

In its generally accepted sense - individual ownership and control of means of production and distribution (the capitalist as opposed to the socialist) - individual initiative the source of capital investment

Coming from the idea of the individual as a capitalist

Laissez-faire Capitalism

Coming from the idea of individual initiating and providing for capital - with complete individual ownership and control

Modified Capitalism

Democratic capitalism - American capitalism; mixed capitalism - all indicating a compromise system utilizing constructs of other systems which ostensibly provide support for sustaining primary individual initiative, ownership and control of economy

Fascism

A word which by its origin means 'power', or in a very real applied sense 'strong state power'

Italian-style fascism

Authoritarianism - strong state control - individual ownership

Nazism

Authoritarianism - strong state control - individual ownership - racism and design for world dominance

Contemporary Modified Fascism

Not as authoritarian in economic area but remains strong over political facets of life

Socialism

In its theoretical sense - state ownership of the basic sources of production and distribution

Evolutionary Socialism

State ownership and control over basic sources of products and distribution brought about by peaceful means - legislative

Owenism

Fabianism

Liberal

Democratic

Revolutionary Socialism

State ownership and control over basic sources of production and distribution by force - Marxism - first stage

Communism

Marxism ("scientific socialism") - (in its purest sense a total collectivism without class struggle or government

State Communism

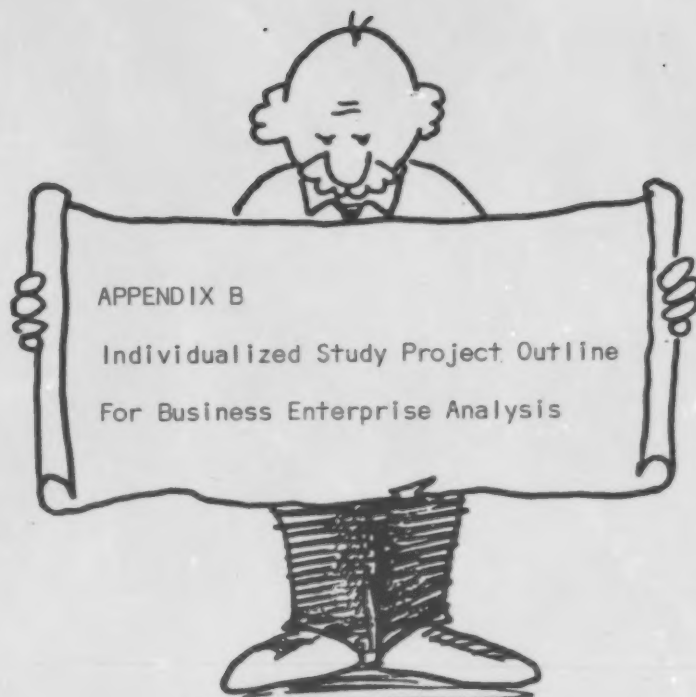
Russian communism, state totalitarian socialism, revolutionary socialism - Marxism - second stage

Anarchistic Communism

The evolutionary absolute- Marxism- - third stage

"Titoism" (modified communism)

Total power exists, but the government chooses to exercise it primarily in political and economic spheres



APPENDIX B

Individualized Study Project Outline
For Business Enterprise Analysis

INDIVIDUALIZED STUDY PROJECT OUTLINE

For A

BUSINESS ENTERPRISE ANALYSIS

1. Background and Development of the Enterprise
 - a. When did it originate? Why? How?
 - b. Why is it located in this community?
 - c. What has been its record of growth? Is there anything of special interest about the company or its products?
2. Ownership
 - a. Is it an individual proprietorship, partnership, investor-owner corporation, user-owner cooperative corporation, governmental enterprise?
 - b. Is it affiliated with businesses elsewhere? How?
 - c. Are there any significant problems or developments relative to ownership?
3. Management
 - a. Who manages the business? What are their functions and responsibilities?
 - b. How is management determined?
 - c. What management and executive skills are required?
 - d. To whom is management responsible?
4. Production Activities
 - a. What goods or services are produced? Why?
 - b. What natural resources are used, and where do they come from?
 - c. How many workers are employed, and what skills are required? What are the job trends for the business?
 - d. What capital equipment is needed (tools, machines, etc.)?
 - e. Has automation affected the business? To what extent? How?
 - f. Are there any significant problems or developments relative to production?

5. Market Activities

- a. To whom and where are the goods and services sold?
- b. How are sales and promotion activities carried out?
Are there any special methods or techniques used?
Are special incentives provided?
- c. Are there any significant trends or developments?

6. Pricing, Profits, Savings & Investment Decisions

- a. How are prices determined for the goods or services produced?
- b. Is there a profit motive? How are profits distributed?
- c. How much and what kind of competition exists?
- d. What are the plans for in the future?
- e. What is the present level of profits-both as a percent of sales and as a percent of invested capital? (may not be available)
- f. Have general economic conditions affected price and profits?
- g. What is the outlook relative to prices and profits?
- h. Are there provisions for savings, reserve funds?

7. Employee - Management Relations

- a. Are workers members of a union or unions? If so, which union or unions? If not, why not?
- b. How are regular communications between management and employees carried on?
- c. How are wage hour and working condition agreements made?
- d. What benefits do employees receive from the enterprise beyond wages?
- e. Are there provisions for recreation and educational programs?
- f. Are there any significant problems or developments relative to employer-employee relations?

8. Relationship Between the Business and Government

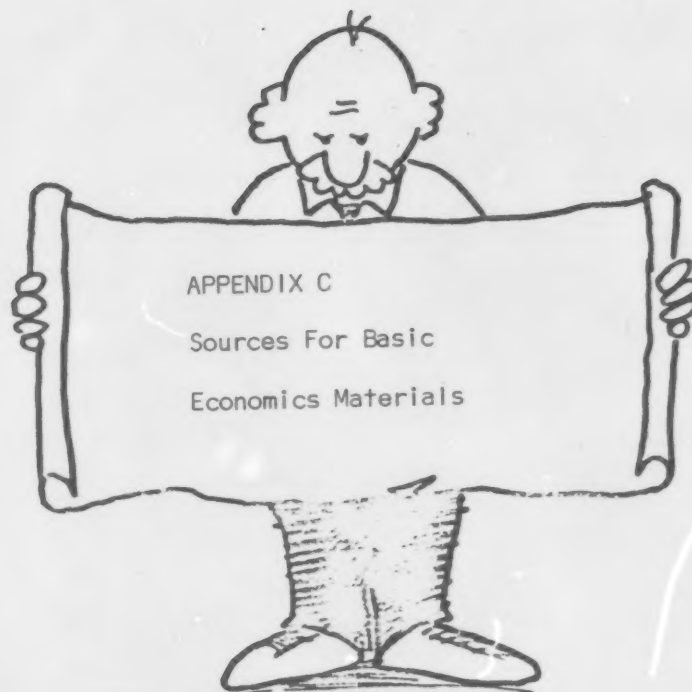
- a. What government regulations or restrictions affect the enterprise? (local, state, federal)
- b. What services or aids are provided by government for the enterprise?
- c. What taxes (kinds and amounts) are paid, and how are they determined?
- d. What problems exist in this area? What can be done to solve them?

9. Relationship Between the Business and the Community

- a. What contributions does the enterprise make to the community, apart from support of government through taxes, etc.
- b. What does the community contribute to the enterprise?
- c. Does the enterprise provide leadership and support in the field of education? If so, how?
- d. Are there significant misunderstandings, developments, or problems relative to community relationships? What is the effect?

10. Outlook for the Future of the Business

- a. What is projected for production and marketing activities in the future.
- b. What are the future resource needs (labor, capital, natural resources, management)? Are employment opportunities bright?
- c. Will the growth of the community's overall economy influence the growth and success of the business. Explain
- d. What steps can be taken to improve growth prospects for both the business and community?
- e. To what extent will the national economy influence the business? Explain



SOURCES OF INFORMATION AND MATERIALS FOR BASIC
CLASSROOM LEARNING IN ECONOMIC EDUCATION

American Institute of Cooperation
1129 Twentieth Street, N.W.
Washington, D.C. 20036

American Stock Exchange
86 Trinity Place
New York, New York 10006

Banking Education Committee
The American Bankers Association
1120 Connecticut Avenue, N.W.
Washington, D.C. 20006

Board of Governors of the Federal Reserve System
Publications Service
Division of Administrative Services
Washington, D.C. 20551

Calvin K. Kazanjian Economics Foundation, Inc.
P.O. Box 452
Wilton, CT 06897

Chamber of Commerce of the United States
1615 H Street
Washington, D.C. 20006

Cooperative League of the USA
1828 L Street, N.W.
Washington, D.C. 20036

Council of Better Business Bureaus
1145 19th Street, N.W.
Washington, D.C. 20036

Cost of Living Council
Washington, D.C. 20508

CUNA International, Inc.
P.O. Box 431
Madison, WI 53701

Dow Jones & Company, Inc.
22 Cortlandt Street
New York, New York 10007

Dunn & Bradstreet, Inc.
99 Church Street
New York, New York 10007

Educational Services Bureau
Dow Jones & Company, Inc.
P.O. Box 300
Princeton, New Jersey 18540

Educational Service
The New York Stock Exchange
11 Wall Street
New York, New York 10005

Farmer Cooperative Service
U. S. Dept. of Agriculture
Washington, D. C. 20250

Farm Credit Administration
L'Enfant Plaza
Washington, D. C.

Federal Reserve Bank of Chicago
Research Department
P.O. Box 834
Chicago, IL 60090

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

Federal Reserve Bank of Philadelphia
925 Chestnut Street
Philadelphia, PA 19101

The Federal Reserve Bank of Richmond
Ninth and Franklin Streets
Richmond, VA 23213

Institute of Life Insurance
277 Park Avenue
New York, New York 10017

National Association of Manufacturers
277 Park Avenue
New York, New York 10017

Office of Consumer Protection
Department of Justice
114 East, State Capitol
Madison, WI 53702

Pamphlet Division
AFL-CIO
815 16th Street, N.W.
Washington, D. C. 20006

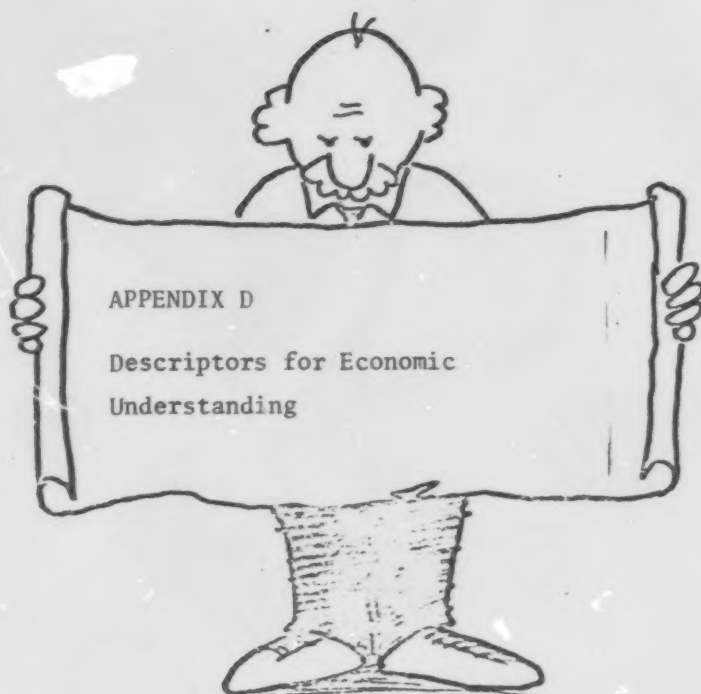
Public Affairs Pamphlets
381 Park Avenue, South
New York, New York 10016

Public Relations Department
Credit Union National Association
P. O. Box 421
Madison, WI 53701

Wisconsin Federation of Cooperatives
122 West Washington Avenue
Madison, WI 53703

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guide were provided by:

Cooperative League of the USA's
President's Fund of the
Cooperative Foundation



APPENDIX D

Descriptors for Economic
Understanding

WISCONSIN SOCIAL STUDIES CURRICULUM STUDY COMMITTEE

DESCRIPTORS FOR ECONOMIC UNDERSTANDING

A GUIDE TO ASKING QUESTIONS ABOUT LEARNING
RELATED TO ECONOMICS IN WISCONSIN SCHOOLS, K-12

WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION
BARBARA THOMPSON, Ph.D., STATE SUPERINTENDENT

State of Wisconsin Social Studies Curriculum Study Committee

Sub-Committee on Economic Education

Jerry Johnson, Ph.D. Director
Center for Economic Education
University of Wisconsin-Eau Claire

H. Michael Hartoonian, Ph.D.
Wisconsin Department of Public
Instruction

Shirley Grunloh
Oshkosh Public Schools

George Conom
Sun Prairie Public Schools

William Hill, Ph.D. Chairperson
Executive Director
Wisconsin Council on Economic Education

PREFACE

It has long been my feeling that economic, civic, and social literacy are the first basics of education in a democracy. Thomas Jefferson stated that "above all things I hope the education of the people will be attended to...for, if a nation expects to be ignorant and free, in a state of civilization, it expects what never was and never will be."

Descriptors for Economic Understanding was developed to help realize a higher degree of economic literacy in our state by giving educators some handle on what is to be expected of students who graduate from our schools. With this in mind, the following agencies came together to prepare this guide:

Wisconsin Department of Public Instruction
Wisconsin State Council on Economic Education
Wisconsin Council for the Social Studies
Center for Economic Education, UW-Eau Claire

This brief publication was designed to clarify what economics is about and to provide readers with an opportunity to consider some implications for providing school-age youth with minimum learning experiences in economic education. To the extent that a proposed descriptor suggests a legitimate priority, learning experiences will have to be determined locally and by people responsible for justifying subject matter within the school curriculum.

Descriptors for Economic Understanding also represents something new in Wisconsin education. It does not include such terms as criterion reference, dependent variable, behavioral objective, or similar jargon. Rather, its expressed purpose is to clarify some aspects of instruction having to do with economics in the school curriculum.

We welcome your comments about this publication and we urge you to take the time to let us know your reactions, suggestions, and particular viewpoints. Please place your observations on the back cover, tear it off and return to: William J. Hill, Executive Director, Wisconsin State Council on Economic Education, P. O. Box 591, Milwaukee, WI 53201. Mr. Hill is a member of the Wisconsin Council for the Social Studies and also is a member of two statewide committees whose purpose is to advise the Department of Public Instruction (K-12 social studies and consumer education). He was also a member of the Descriptor Development Committee.

H. Michael Hartoonian
Program Coordinator and Supervisor
Social Studies Education
Department of Public Instruction

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Economics in the Wisconsin School Curriculum	4
Economics: A Definition and a Model	5
Descriptors for Economic Understanding	6
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INTRODUCTION

Following the adoption of desirable goals for education in Wisconsin schools, as developed by a citizen committee in the early seventies, it soon became apparent that more specific expectations and descriptions could indeed be helpful. This assumption appeared especially appropriate for the goal identified as economic understanding if for no other reason than that economics enjoys not only a special complexity but a very special importance in the school curriculum and in the everyday affairs of all citizens. A secondary assumption offered by others has to do with answering the question, "How can a school district prepare for assessment if it lacks a clear perception about what is to be assessed?"

The State of Wisconsin educational goal statement for economic understanding reflects the general for learning, understanding, and awareness. The original goal statement from the citizen committee follows:

ECONOMIC UNDERSTANDING

In the American economic system, students must understand those factors that affect both their own economic condition as well as that of others in the world community.

Effective participation in the economy as a consumer and producer of goods and services requires understanding of personal and world economics and the relation of government to economy.

The student shall:

1. learn to evaluate his/her needs; match products to needs and effectively use products, services, and natural resources.
2. understand the various systems of production and distribution, the role and responsibility of the individual in these systems and the ways in which these systems influence the lives of people.
3. understand the relationship between individual consumption of goods and the effect on the environment.
4. understand the process of obtaining employment, planning and budgeting personal income, saving and investing, and financing major purchases.
5. be aware of the agencies which assist and protect consumers and producers.
6. be aware of national and international business organizations, monetary systems, and the effects of government on the economic systems of other nations.

The adopted economic understanding goal does not represent standards or expectations, nor are priorities established. The citizen committee wisely recognized the key role of the local education agencies to determine best steps for review and implementation of their existing economics curriculum. Objectives, content and scope and sequence should be determined locally.

SOME OBSERVATIONS ABOUT ECONOMIC EDUCATION

For Wisconsin educators at all grade levels and at teacher training institutions, several observations relevant to concurrent events in economic education may be cited.

1. Economics as a single course or subject is not commonly reserved as a required course. Rather, important ideas about economics appear in the social studies sequence with greater frequency now than ever before at all grade levels. The Wisconsin State Social Studies Committee has recommended the teaching of economics concepts in grades K-12 since the early 1960's.
2. New impetus giving attention to the importance of basic principles of economics came in 1974 with the Wisconsin legislative mandate which suggested added emphasis upon consumer education. Interestingly, a significant outcome of the mandate has been a surge in inservice and college credit enrollments related to courses and programs in economic education.
3. In early 1975, the Wisconsin State Department of Public Instruction called a conference to explore the potential for developing meaningful descriptions about education goals - descriptions that would be non-technical and non-jargon items which anyone could read to get ideas about the dimensions and possible implications of goals such as economic understanding.
4. The preparation of suggested descriptors to accompany adopted goals for education in Wisconsin implied an additional and important function, being that descriptors could serve a very useful role or purpose in assisting any school to review or make a mini-assessment of whether its curriculum actually provided opportunity for attaining specified goals.
5. In 1976-77, a long-awaited educator resource focusing upon economics in the school curriculum, with suggested grade placement of concepts and accompanying how-to-do-it, will be published. A national task force has been working on this resource under the leadership of Dr. Lee Hanson, a UW-Madison economist who led a national group of highly respected economists and educators toward completion of a much needed reference document.
6. Wisconsin now has in place a delivery system designed to be used by educators in meeting the twin challenges of improving pupil learning opportunities in economics and also meeting the challenges associated with teacher education. Centers for Economics Education are established at UW-Milwaukee, UW-LaCrosse, UW-Eau Claire, UW-Platteville, UW-Whitewater, UW-Center Campus-Sheboygan and in 1976-77 at UW-Oshkosh and UW-Parkside. Each is staffed by an economist experienced in working with classroom teachers. Each Center has an extensive resource library and each can assist schools with inservice and/or university credit program plans. The Wisconsin State Council on Economics Education, along with the Department of Public Instruction and a wide variety of agencies and organizations, works with Centers and with schools to develop, implement and disseminate learning programs in economics.
7. A new "Curriculum Improvement Guide" for the K-12 social studies program will become available from the Wisconsin Department of Public Instruction in 1977.

8. Consumer education programs in 1976-77 will involve working out model arrangements for improving instruction in several school districts.
9. And, as the following pages will depict, there are suggested descriptors available to cast new light upon the what and why of economics in the school curriculum.

ECONOMICS IN THE WISCONSIN SCHOOL CURRICULUM

Establishing priorities for Wisconsin youth from among an almost endless array of desirable learning opportunities poses a challenge in every school district. Not to be ignored are old favorites emerging anew for greater attention. Among them are citizenship and critical thinking; reading, writing and arithmetic; personal competency, self-realization and career education; mental and physical health, cultural appreciation and, of course, basic skills for learning and decision making.

These desirable learning opportunities appear one way or another in the school social studies curriculum at all grade levels, a fact surely substantiating the oft stated notion that general education goals that cannot be accommodated with priority in other subject matter areas usually find their way into the history and social sciences domain.

Surely some questions need be raised--some easy and some very hard to answer; but all, nevertheless, related to curriculum decisions and priorities. Most educators would agree that learning opportunities for youth should be systematic and responsible. Further, educators would agree that any or all of the following questions need to be raised about existing curriculum practices and content, perhaps especially for economics.

- How do you determine the educational usefulness of current instruction?
- What are the criteria against which to measure usefulness?
- What "indicators of performance" can be used to measure achievement?
- What competencies should be attainable by Wisconsin high school graduates, or ninth graders, or sixth graders?
- What are some current attitudes, skills and understandings possessed by students about economics?
- What parts of your K-12 curriculum should provide learning opportunities in economics, including consumer education?
- What kinds of assistance and support do educators want and need in order to become more confident and competent with economics?

In the Spring of 1975 an assessment of Wisconsin pupil achievement in history and the social sciences was undertaken at grades four and eight. Preliminary findings suggest not only that Wisconsin youth more than hold their own when compared to national norms, they also scored well compared with norms arbitrarily raised by Wisconsin educators who felt Wisconsin youth not only could but would exceed expectations because the quality of educational opportunity in Wisconsin exceeds that of most states.

The fourth and eighth grade findings reveal economics is not lost in the curriculum. In fact, assessment data suggest good achievement relationships between and among all history and social science subjects and, perhaps importantly, data reveal significantly high scores in an area of learning that many educators believe to be of prime importance--the area of skills and processes such as inference, inquiry, deduction, questioning, data acquisition, and interpretation.

ECONOMICS - A DEFINITION AND A MODEL

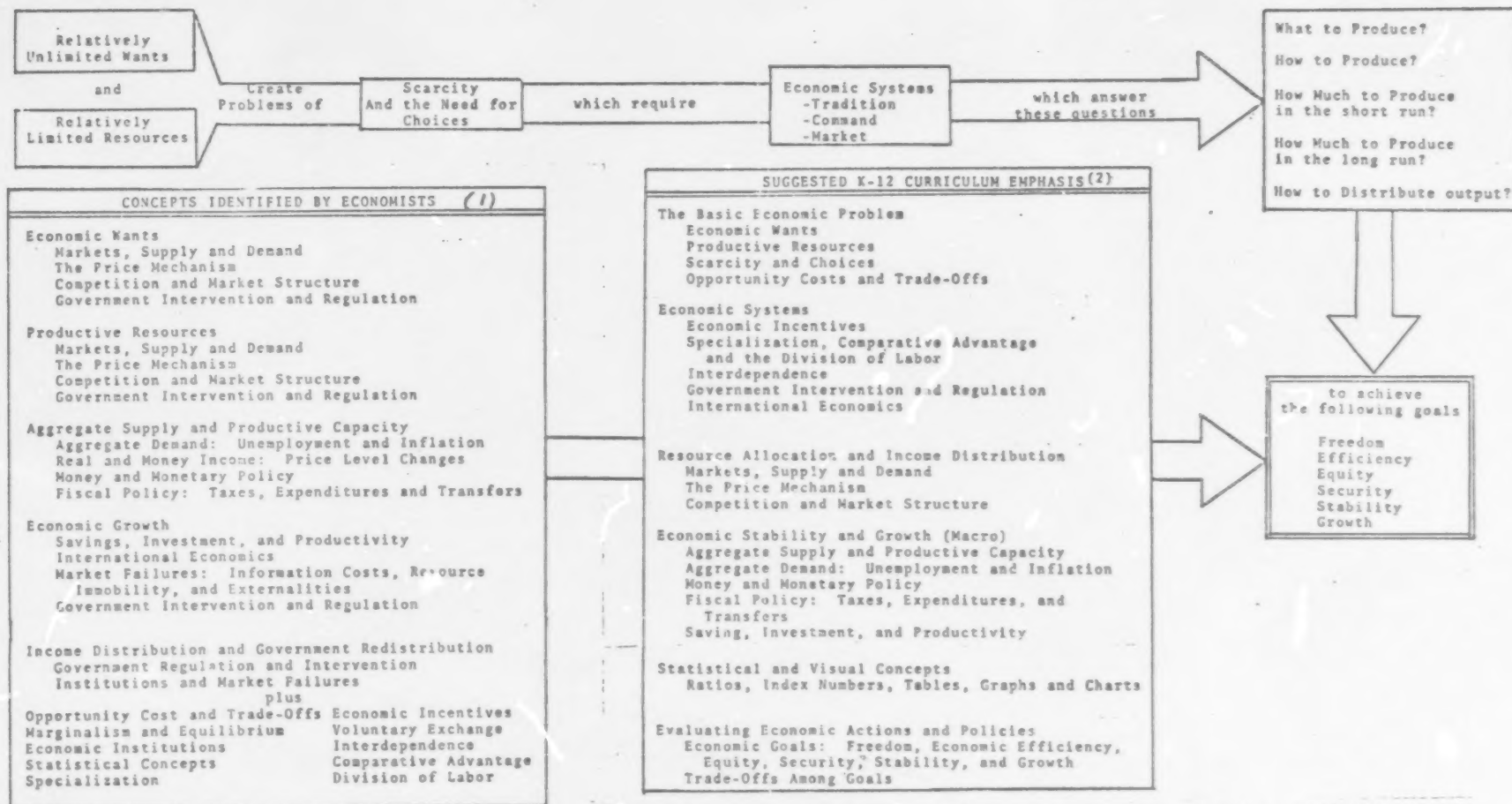
Economics is about choices or making decisions and how to make them from among alternatives which recognize scarcity of resources and relatively unlimited wants and needs. Economics is comprised of a set of ideas identified as important concepts. Economists insist that certain skills, understandings and knowledge are necessary for rational decision making. Further, economists often and perhaps usually can be found in disagreement among themselves about the meaning, causes and outcomes of economic events. Nevertheless, they do agree about key ideas which tend to characterize their discipline. They hasten to point out that values, attitudes and especially political and governmental decision or indecision have profound influence upon economic events affecting all of us.

There are important ideas about economics from which a sort of matrix or model clearly emerges. Listed below are some of these key ideas or concepts. It is not an exhaustive nor all-inclusive list but it is a basic framework from which may be derived significant opportunity for learning.

The forthcoming suggested outline for economics in the school curriculum¹ portrays about twenty-five economics concepts. Only a few are selected here to illustrate how descriptors can be utilized and related to an established educational goal, in this instance economic understanding.

¹ Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY 10036.

A SUGGESTED MINIMUM FRAMEWORK⁽¹⁾
FOR LEARNING ABOUT ECONOMICS IN WISCONSIN SCHOOLS, GRADES K-12



(1) Adapted with permission from The Joint Council on Economic Education publication of the forthcoming Economic Framework and Resource Guide on Economic Education, K-12, JCEE, 1212 Avenue of the Americas, New York 10076

(2) Suggested descriptors for six minimum emphasis concepts appear on the following pages.

A PREFACE TO CONCEPTS* FROM ECONOMICS

Every economy has to deal with relatively unlimited wants and limited resources. How people and nations decide to allocate available resources among many human wants is economic decision making in action. In the American private enterprise economy the consumer's influence upon what is to be produced is very significant. So also is the influence of orderly government - whether regulation, protection or policy. Freedom of choice at the market place for the consumer and the ongoing relationship between cost, price, competition, supply and demand and resource allocation together suggest a few ideas all future citizens need to know.

DESCRIPTORS FOR ECONOMIC UNDERSTANDING

Becoming more familiar with what economists identify as key concepts and learning to deal with a basic model or matrix for economics suggests there are indeed certain outcomes from economic education that young people ought to know by the time they graduate from high school. Their familiarity with the ideas of economics--concepts and approaches, should improve decision making.

The descriptors which follow are intended to substantiate and illuminate the goal of economic understanding in Wisconsin schools and to provide a quick inquiry device that educators and others may use to more clearly establish whether or not opportunity for economic education exists sufficiently in the school curriculum.

IDEAS ABOUT ECONOMICS ABOUND. HUNDREDS, PERHAPS THOUSANDS OF BOOKS AND PERIODICALS DEAL IN SOME WAY WITH THE SUBJECT. ALMOST ANY GROUP WHICH SEEKS TO SET FORTH A LISTING OF IMPORTANT DESCRIPTORS WOULD INVARIABLY PREFER AND INFER CERTAIN PRIORITIES. THE DESCRIPTORS WHICH YOU WILL FIND ON THE FOLLOWING PAGES REPRESENT ONLY ONE APPROACH.

As a student reaches the age of majority, it is his/her right and obligation to participate in the democratic process. Therefore, the student should have some competency and understanding of the free enterprise system and how it works. A better understanding of this process can only be realized through a better understanding of the principles of economics.

A note to the reader: If you agree, upon reading a concept descriptor, that indeed the implied worth of that descriptor is important enough for all future citizens to understand; then, ask yourself who is teaching it, where in the K-12 school curriculum is it being taught, and how well do our youth achieve an understanding of the idea?

*See Knowledge, Processes and Values in the New Social Studies. Bulletin #185 \$1.00. Available from the Wisconsin Department of Public Instruction.

SUGGESTED DESCRIPTORS TO BE CONSIDERED FOR MINIMUM CURRICULUM EMPHASIS

I. The Basic Economic Problem

- Students shall be able to recognize/understand that we have limited resources and relatively unlimited wants.
- Students should understand that without the scarcity problem, there would be no need to economize.
- Students should understand that scarcity is the central problem from which all other economic problems flow.
- Students shall recognize and apply knowledge to maximize personal satisfaction in terms of limited resources.
- Students should recognize that as a result of scarcity, decisions and choices must be made.
- Students should be able to understand the need for choices.
- Students should be able to understand the effects of personal economic choices.
- Students should understand that because of insufficient income to satisfy all their wants, decisions must be made about the disposition of their income.
- Students should understand that every society must choose from various alternatives the ways in which they can best use their scarce resources.
- Students should be able to understand the basic questions of what to produce, how to produce, and for whom.
- Students should recognize that each economic system must answer these basic economic questions.
- Students should recognize that consumption is the direct result of production (productive) generating income.
- Students shall recognize that one's own (and others) value system help determine what will be produced.
- Students shall recognize that available resources will help determine how production will take place.

II. Economic Systems ***

- Students should understand the workings of the free enterprise system.
- Students should understand how the private enterprise system differs from other economic systems.
- Students shall understand the employment of limited resources in a private enterprise market economy.
- Students should be able to compare and contrast how economic decisions are made in other societies.
- Students should understand the role of profit in the private enterprise system.

III. Resource Allocation and Income Distribution (Macro Economics)

- Students should understand that a market is a gathering of buyers and sellers to buy or sell goods or services and productive resources.
- Students should be able to understand the forces of supply and demand in the market-place.
- Students should understand the interaction of supply and demand in the determination of price.
- Students should understand that in any free enterprise system, competition is the regulator and the consumer is the determiner of what to purchase.
- Students should understand that we have several market structures, and imperfections in the marketplace do exist.
- Students should understand that certain goods and services necessitate government intervention.

***Learners should understand that some sort of economics arrangement exists in all political systems and in all societies. Learners should further understand the key importance of freedom, individual worth, and orderly government perceived to be the core of the American experience. That the democratic process and the private enterprise economic system have worked well is evidence which exists in fact.

However, unnecessary advocacy or propagandizing about the so-called free enterprise system is inappropriate. The American enterprise system can stand up to a careful and rational examination of the facts.

ECONOMIC EDUCATION, as perceived by the DESCRIPTOR writing group, is intended to deal with improving student understanding of economic systems and the likely application of economic decisions in every day living....and learned in the course and flow of social studies education for all in grades K through 12.

- Students should understand that imperfections in the marketplace necessitate government intervention.
- Students should understand the idea that specialization results in increased output of goods and services.
- Students should understand that through specialization there can be an increase in their consumption of goods and services and satisfaction of more wants.
- Students should understand the relationship between specialization and the division of labor.
- Students should understand the relationship between specialization and interdependence.
- Students should understand that income is generated through production and the exchange of goods and services.
- Students should understand the principle of comparative advantage.

IV. Economic Stability and Growth (Macro Economics)

- Students should understand that as specialization increases, the need for a medium of exchange also increases.
- Students should understand the major functions of money.
- Students should understand the major types of money in the United States.
- Students should understand the advantages of money exchange over barter exchange.
- Students should understand what constitutes the money supply.
- Students should understand ~~the~~ role of the Federal Reserve System.
- Students should understand the effect of the Federal Reserve System on the money supply.
- Students should understand appropriate action needed either during inflation or during recession.
- Students should understand the limitations of monetary policy.
- Students should be able to define fiscal policy.
- Students should understand the effects of government in the changing of taxes and the changing of government expenditures.
- Students should understand an appropriate fiscal policy to curb an inflationary period.
- Students should understand an appropriate fiscal policy to be used during a recession.

- Students should understand the limitations of fiscal policy decisions.
- Students should be able to identify appropriate combinations of fiscal and monetary policy.
- Students should understand that appropriate fiscal and monetary policy can lead to economic growth.
- Students should understand that economic growth leads to increased productive capacity.
- Students should understand the negative effects of economic growth.
- Students should understand the concepts of savings and investment risk and related decisions.
- Students should understand the concept of productivities in an economy.
- Students should understand that productivity leads to economic growth.
- Students should understand the problems of international trade and international markets.
- Students should understand the problem of the comparative advantage as to nations, as well as to individuals.
- Students should understand the advantage of free trade.
- Students should understand the modification of free trade by government intervention and regulation

V. Statistical and Visual Concepts

- Students should understand the importance of, as well as be able to deal with, visual presentations of economics data.
- Students should be able to interpret simple ratios, index numbers, tables, graphs, and charts which portray economics data.

VI. Evaluating Economic Actions and Policies

- Students should be able to recognize and state (verbalize) an economic goal.
- Students should understand that in our democracy economic goals are a significant function in the political process.
- Students should perceive the relationship between economic freedom and an orderly government.
- Students should understand that economic choices usually imply a trade off among desirable goals and that ends and means are important considerations in economic decision making.

- Students should understand the meaning of efficiency, productivity and stability especially in the workings of the private enterprise system, and in comparison with other economic systems.
- Students should understand the importance of citizen participation at all levels of government, particularly as related to contact with elected representatives of the people.
- Students should understand that concepts of equity, justice, opportunity, fair play, and security all play a part in economic decision making as policies are formed.
- Students should understand the essential role and function of the individual consumer and his influence capability upon actions and policies.
- Students should understand that without orderly government and freedom of choice a private enterprise market economy could not function.

APPENDIX

SOME LEADERSHIP, SERVICE AND SUPPORT SOURCES FOR WISCONSIN SCHOOLS

Economics is perhaps the one subject in the school curriculum most likely to be overlooked in establishing priorities for learning. Several reasons seem to account for the situation. These are: 1) most classroom teachers have not studied economics, nor were they required to complete one or more courses in economics prior to certification (the Wisconsin administrative code now establishes such requirements for certification of history and social science teachers), 2) there has been limited effort to determine just what economics is now being offered in Wisconsin schools and how well our youth are learning about economics, and 3) most school administrators, principals, and school board members have not had access to legitimate, non-biased and educationally sound proposals and ideas for improving economic literacy. It should be noted that the latter group may be under stress for dealing with conflicting educational priorities in every community notwithstanding the fact that the "economics of education" is likely the chief educational "problem" in most Wisconsin communities.

Listed here are a variety of sources, agencies, and organizations well experienced in working with schools to upgrade learning opportunities in economics.

- Wisconsin State Council on Economic Education
- Wisconsin Department of Public Instruction
- UAW, AFL-CIO and United Steelworkers of America
- Wisconsin Manufacturers Association
- Wisconsin Bankers Association
- Wisconsin Agri-Business Council
- Wisconsin Industries and Manufacturers, Inc.
- Employers Associations
- Wisconsin Council for the Social Studies
- State and local Chambers of Commerce
- National Joint Council on Economic Education
- University of Wisconsin System Centers for Economic Education
- Milwaukee Advertising Council
- Cooperative Educational Service Agencies
- Wisconsin Department of Justice Consumer Education Division

The Wisconsin State Council on Economic Education is a not for profit educational organization which exists to serve those who would improve economic education opportunities--contact Executive Director William J. Hill, P. O. Box 591, Milwaukee, Wisconsin 53201 (414-227-2732). During the period September 1, 1975 through July 31, 1976, the Council was involved in planning, implementing, facilitating or otherwise developing economic education programs, courses and workshops which enrolled about 1200 Wisconsin educators. All activities emphasized learning about economics as prerequisite to curriculum development.

The Wisconsin Department of Public Instruction and the Advisory Committees in Consumer Education and the Social Studies

- These groups are brought together to advise the State Superintendent of Public Instruction on matters relating to economics and consumer education.

- The Department of Public Instruction provides supervisory and consultant help to schools working to improve their programs in economics. Contact persons: Elaine Staaland, Supervisor, Home Economics Education (608-266-2347), and H. Michael Hartoonian, Supervisor, Social Studies Education, (608-266-3079), Department of Public Instruction, 126 Langdon Street, Madison, Wisconsin 53702.

The following school districts are participating in a national program designed to improve access to information about economics in the school program. The program is called DEEP-Developmental Economic Education Program, and is sponsored by the National Joint Council on Economic Education. In 1976, these Wisconsin school districts participated in DEEP.

Beloit	Platteville	LaCrosse	Brillion
Sheboygan	Menasha	Elm Brook	Pittsville
Green Bay	Janesville	Eau Claire	Mukwanago
Kenosha	Menomonee Falls	Milwaukee	Port Washington

Centers for Economic Education Centers deal primarily with preservice, inservice and special summer workshop programs developed in conjunction with local school districts. Each has a library of student and teacher materials and each has access to community resources which can be of help to schools, their teachers and their students. Credit and non-credit programs can be arranged as well as expert consultant assistance.

UW-Eau Claire	Jerry D. Johnson, Director	Eau Claire, WI 54701
UW Center Campus-Fox Valley	Va' Kopitzke	Menasha, WI 54952
UW-LaCrosse	Richard Snyder, Director	LaCrosse, WI 54601
UW Center Campus-Marathon County	Jack Karkar	Wausau, WI 54401
UW-Milwaukee	Leon M. Schur, Director	Milwaukee, WI 53201
UW-Oshkosh	James Grunloh, Director	Oshkosh, WI 53201
UW-Platteville	Kahtan Al Yasiri, Director	Platteville, WI 53818
UW Center Campus-Sheboygan County	Doris E. Lomberg	Sheboygan, WI 53081
UW-Stevens Point Department of Economics	Gordon Haferbacker	Stevens Point, WI 54481
UW-Superior Department of Business and Economics	Michael Behr/Pat Quinn	Superior, WI 54880
UW-Whitewater Department of Economics	Jack Knusel, Director	Whitewater, WI 53190

State your observations, reactions, suggestions and viewpoints on this back cover and send it to:

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